

**ELMIRA CITY
SCHOOL DISTRICT**

Elmira, New York

FINANCIAL REPORT

June 30, 2018



ELMIRA CITY SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Elmira City School District
Elmira, New York

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmira City School District (the School District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As described in Note 15 to the financial statements, the June 30, 2017 net position has been restated to reflect the adoption. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison, Schedule of Changes in the School District's Total OPEB Liability and Related Ratios, the Schedules of School District's Contributions - NYSLRS and NYSTRS Pension Plans, the Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, and related notes on pages 4-4j and 53-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Change from Adopted Budget to Final Budget and the Real Property Tax Limit, Schedule of Project Expenditures - Capital Projects Fund, and Net Investment in Capital Assets (supplementary information) on pages 62-64 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2018 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 10, 2018

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The following is a discussion and analysis of the Elmira City School District's (the School District) financial performance for the fiscal year ended June 30, 2018. This section is a summary of the School District's financial activities based on currently known facts, decisions, or conditions. It is also based on both the District-wide and fund-based financial statements. The results of the current year are discussed in comparison with the prior year, with an emphasis placed on the current year. The Management's Discussion and Analysis (MD&A) section is only an introduction and should be read in conjunction with the School District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- During the year ended June 30, 2018, the School District adopted Government Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." As a result, beginning net position was reduced by \$(242,742,485). GASB Statement No. 75 requires the School District to record its total OPEB liability, as well as deferred outflows and deferred inflows related to the OPEB plan. See Note 11 for more detailed information.
- The School District ended the year with a total net (deficit) of \$(242,272,045), an increase of \$(4,448,520) from the prior year. The year-end net position was composed of \$34,895,032 in restricted, \$98,808,883 in net investment in capital assets, and \$(375,975,960) in unrestricted net (deficit). The unrestricted net (deficit) increased \$(8,151,527) compared to the prior year. The unrestricted net (deficit) at June 30, 2018 is primarily attributable to recognition of the accumulated OPEB liability of \$381,216,447.
- Expenses, exceeded revenues by \$(4,448,520) in 2018 compared to expenses exceeding revenues, and other financing sources by \$(7,955,745) in 2017.
- The School District records its proportionate share of the net pension (asset) liability along with deferred inflows and outflows related to pensions in accordance with the parameters of GASB Statement No. 68. "Accounting and Financial Reporting for Pensions." Current year recognition resulted in an increase of government wide expenses of \$564,009, compared to a increase of \$467,310 in 2017.
- The School District had \$75,686,269 in outstanding debt at year end, a increase of \$9,427,063 from the prior year. This was primarily the result of new BANs for \$21,000,000; partially offset by principal payments on outstanding long term debt.
- Capital asset additions during 2018 amounted to \$16,186,256 for the purchase of buses, vehicles, equipment, and construction in progress expenditures. Depreciation expense was \$11,532,444 for the current year.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

- The General Fund budgeted expenditures, including carry-over encumbrances, and other financing uses, were underspent by \$2,352,604 with a General Fund excess of revenues and other financing sources over expenditures and other financing uses of \$3,009,586. General Fund revenues and other financing sources exceeded the budgeted amounts by \$1,577,888.
- Total General Fund fund balance, including reserves, was \$30,167,591 at June 30, 2018. Unassigned fund balance amounted to \$5,543,831 at year end. Of this amount, \$5,115,367 was subject to and below the maximum limit (4% of 2018-2019 appropriations) permitted under New York State Real Property Tax Law.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: MD&A (this section), the basic financial statements and supplementary information, both required and not required. The basic financial statements include two kinds of statements that present different views of the School District.

- The first two statements are District-wide financial statements that provide both short-term and long-term information about the School District's overall financial status.
- The remaining statements are Governmental Fund financial statements that focus on individual parts of the School District, reporting the School District's operations in greater detail than the District-wide financial statements. The Governmental Fund financial statements concentrate on the School District's most significant funds with all other Non-Major Funds listed in total in one column.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the School District's budget for the year, a Schedule of Changes in the School District's total OPEB Liability and Related Ratios and Schedules of School District Contributions and Proportionate Share of Net Pension (Asset) Liability.

District-wide Financial Statements

The District-wide financial statements report information about the School District as a whole using accounting methods similar to those used by private-sector companies.

The Statement of Net Position includes all of the School District's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The two District-wide financial statements report the School District's net position and how they have changed. Net position - the difference between the School District's assets, deferred outflows and inflows of financial resources and liabilities - is one way to measure the School District's financial health or position. Over time, increases or decreases in the School District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.

To assess the School District's overall health, one needs to consider additional nonfinancial factors such as changes in the School District's property tax base and the condition of school buildings and other facilities.

In the District-wide financial statements, the School District's activities are shown as Governmental Activities. Most of the School District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Governmental Fund Financial Statements

The Governmental Fund financial statements provide more detailed information about the School District's funds, focusing on its most significant or "Major" Funds - not the School District as a whole. Funds are accounting devices the School District uses to keep track of specific sources of funding and spending on particular programs. The School District has two kinds of funds:

- **Governmental Funds:** Most of the School District's basic services are included in Governmental Funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. Because this information does not encompass the additional long-term focus of the District-wide financial statements, additional information following the Governmental Funds statements explains the relationship (or differences) between them.
- **Fiduciary Funds:** The School District is the trustee, or fiduciary, for assets that belong to others, such as the Scholarship Fund and the Student Activities Funds. The School District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT AS A WHOLE

The School District's combined net position for the fiscal year ended June 30, 2018 decreased by \$(4,448,520). Our analysis below focuses on the net position (*Figure 1*) and changes in net position (*Figure 2*) of the School District's Governmental Activities.

Figure 1

<i>Condensed Statement of Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Current assets</i>	\$ 27,163,725	\$ 37,863,716	\$ 10,699,991
<i>Noncurrent assets</i>	30,967,786	36,227,531	5,259,745
<i>Capital assets, net</i>	161,169,114	165,822,926	4,653,812
<i>Total Assets</i>	\$ 219,300,625	\$ 239,914,173	\$ 20,613,548
<i>Pensions</i>	26,501,975	26,636,582	134,607
<i>Other postemployment benefits</i>	10,290,689	11,162,448	871,759
<i>Deferred charges on defeased debt</i>	513,973	332,303	(181,670)
<i>Total Deferred Outflows of Resources</i>	\$ 37,306,637	\$ 38,131,333	\$ 824,696
<i>Current liabilities</i>	23,953,287	41,558,413	17,605,126
<i>Noncurrent liabilities</i>	468,771,081	429,866,817	(38,904,264)
<i>Total Liabilities</i>	\$ 492,724,368	\$ 471,425,230	\$ (21,299,138)
<i>Pensions</i>	1,706,419	8,849,977	7,143,558
<i>Other postemployment benefits</i>	-	40,042,344	40,042,344
<i>Total Deferred Inflows of Resources</i>	\$ 1,706,419	\$ 48,892,321	\$ 47,185,902
<i>Net investment in capital assets</i>	95,423,881	98,808,883	3,385,002
<i>Restricted</i>	34,577,027	34,895,032	318,005
<i>Unrestricted</i>	(367,824,433)	(375,975,960)	(8,151,527)
<i>Total Net Position</i>	\$ (237,823,525)	\$ (242,272,045)	\$ (4,448,520)

The increase in current assets is primarily due to an increase in cash resulting from revenues in excess of expenditures, along with increases in prepaid expenses, due from other governments, and taxes receivable. The increase in capital assets is the result of current year capital outlay in excess of depreciation expense. The increases in noncurrent assets, deferred outflows of resources - pensions, and deferred inflows of resources - pensions, is related to changes in the actuarially determined proportionate share of the pension systems plans net pension (asset) liability and related deferred outflows and inflows of resources.

The increase in current liabilities is primarily due to increases in BAN's payable partially offset by decreases in the current portion of long term debt, accounts payable, and amounts due to pension plans.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Changes in noncurrent liabilities, deferred outflows of resources - OPEB, and deferred inflows of resources - OPEB are primarily due to current year implementation and recognition of GASB Statement No. 75 and changes from the prior year as restated, based on an actuarial valuation of the School District's OPEB plan, as well as regular principal payments on long-term debt.

Net investment in capital assets increased due to capital outlay and debt principal payments in excess of debt proceeds and depreciation expense for the current year. The increase in restricted net position is primarily based on increases in board approved reserves in the General Fund; partially offset by decreases in amounts restricted for capital projects. Unrestricted net position (deficit) increased based on the change in GASB Statement No. 75 OPEB liability and related items of \$15,365,804 in 2018, and results of operations partially offset by debt and capital asset activity. Our analysis in *Figure 2* considers the operations of the School District's activities.

Figure 2

<i>Changes in Net Position</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>REVENUES</i>			
<i>Program Revenues:</i>			
<i>Charges for services</i>	\$ 630,278	\$ 547,974	\$ (82,304)
<i>Operating grants and contributions</i>	12,174,474	12,910,185	735,711
<i>Capital grants</i>	792,831	2,447,020	1,654,189
<i>General Revenues:</i>			
<i>Real property taxes</i>	25,364,168	25,633,051	268,883
<i>Real property tax items</i>	7,820,062	7,671,946	(148,116)
<i>State sources</i>	90,011,725	91,644,842	1,633,117
<i>Use of money and property</i>	257,321	329,161	71,840
<i>Medicaid reimbursement</i>	365,710	651,714	286,004
<i>Other general revenues</i>	2,009,466	2,594,538	585,072
<i>Total Revenues</i>	<i>\$ 139,426,035</i>	<i>\$ 144,430,431</i>	<i>\$ 5,004,396</i>
<i>PROGRAM EXPENSES</i>			
<i>General support</i>	\$ 22,740,068	\$ 22,744,395	\$ 4,327
<i>Instruction</i>	111,055,017	112,958,738	1,903,721
<i>Pupil transportation</i>	7,147,970	7,095,225	(52,745)
<i>Community service</i>	266,410	647,396	380,986
<i>School lunch program</i>	3,695,711	3,429,498	(266,213)
<i>Interest on debt</i>	2,476,604	2,003,699	(472,905)
<i>Total Expenses</i>	<i>\$ 147,381,780</i>	<i>\$ 148,878,951</i>	<i>\$ 1,497,171</i>
<i>(DECREASE) IN NET POSITION</i>	<i>\$ (7,955,745)</i>	<i>\$ (4,448,520)</i>	<i>\$ 3,507,225</i>

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Total revenues for the School District's Governmental Activities increased by \$5,004,396, or 3.6%, and total expenses increased \$1,497,171, or 1.0%. Charges for services decreased due to decreases in school tuition collected. Operating grants and contributions increased primarily due to increases in 21st Century and Title II claims during the current year. Capital grants increased due to SMART School State aid for capital projects. State sources increased primarily due to increases in general and BOCES aid. Property tax increased based on increases in voter approved tax levy, while other tax items decreased due to STAR tax relief reimbursements. Other general revenues increased due to additional refunds, Medicaid, and insurance recoveries received in the current year. The increase in total expenses is primarily due to increased GASB Statements No. 75 and No. 68 expense, payments to BOCES and charter schools, salary and employee benefit expense increases, and additional expenses for state and federal programs.

Figures 3 and 4 show the sources of revenue for 2018 and 2017.

Figure 3
Sources of Revenue for 2018

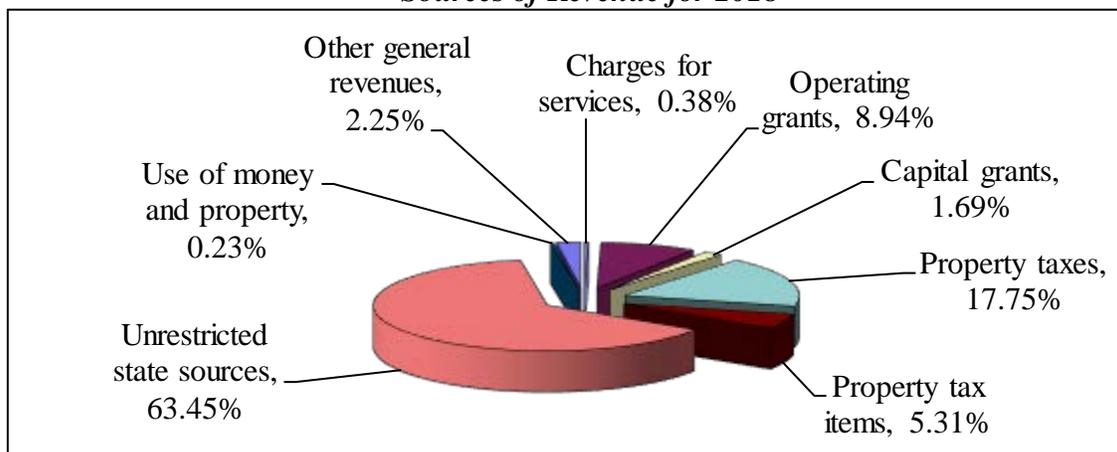
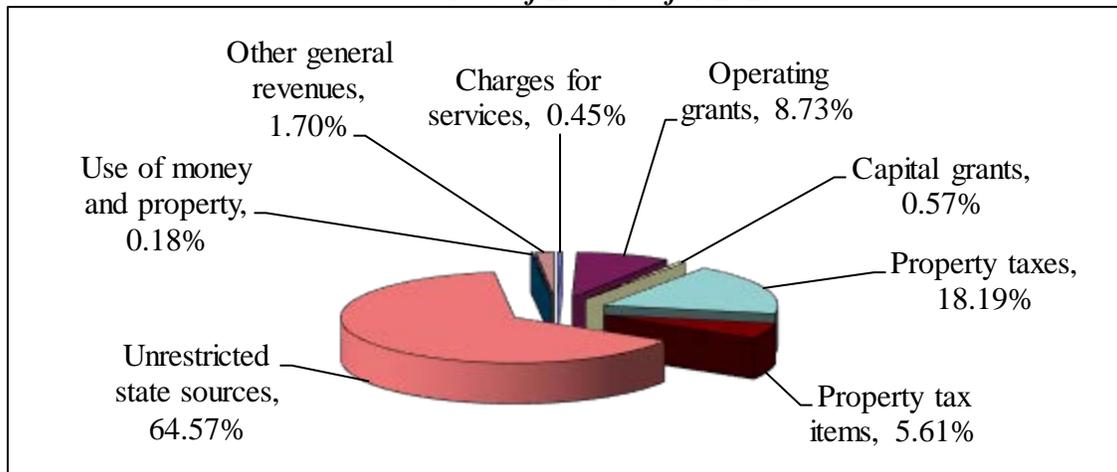


Figure 4
Sources of Revenue for 2017



ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figures 5 and 6 present the cost of each of the School District's programs for 2018 and 2017.

Figure 5

Cost of Programs for 2018

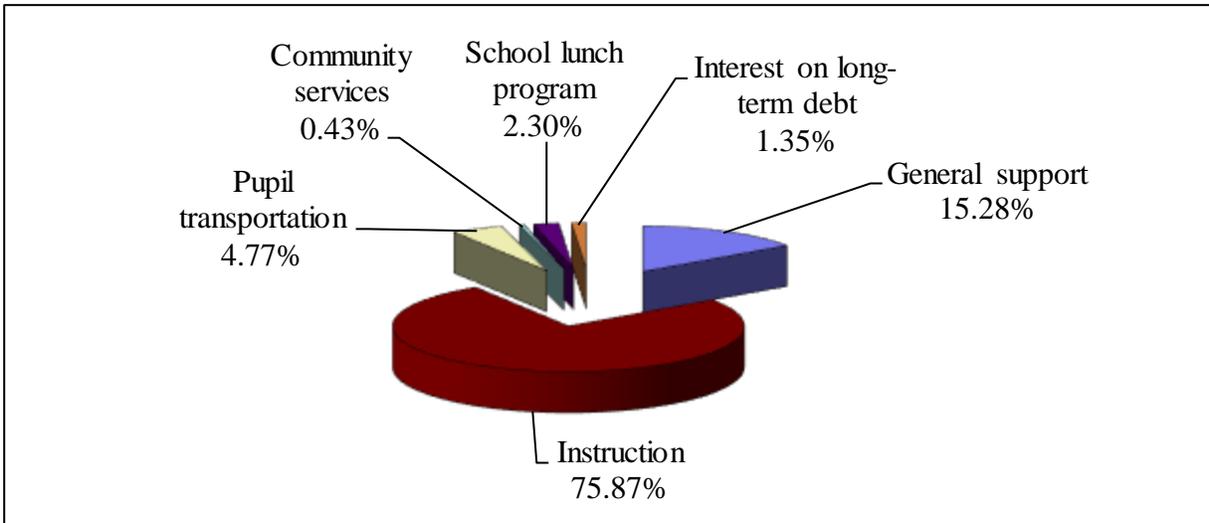
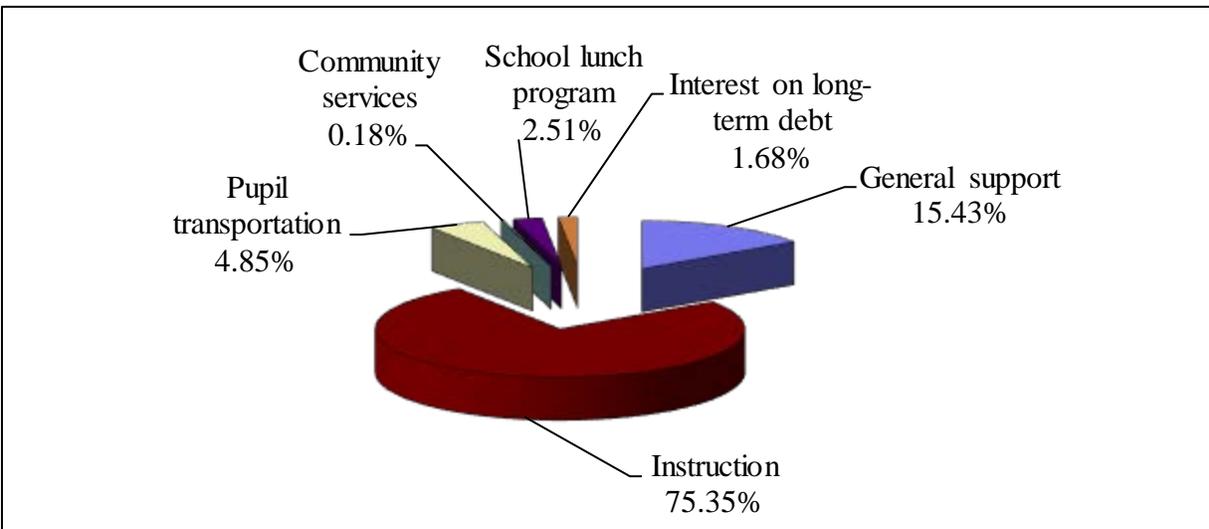


Figure 6

Cost of Programs for 2017



ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL ANALYSIS OF THE SCHOOL DISTRICT'S FUNDS

Figure 7 shows the change in the School District's fund balances for the year.

As the School District completed the year, its Governmental Funds, as presented in the Balance Sheet, reported a combined fund balance of \$39,419,237. The \$(3,883,641) decrease in fund balance is mainly a result of capital outlay in excess of revenues and other financing sources of \$(7,579,912) in the Capital Projects Fund partially offset by revenues in excess of expenditures of \$3,009,586 in the General Fund.

Figure 7

<i>Governmental Fund Balances</i>	<i>2017</i>	<i>2018</i>	<i>Total Dollar Change 2017 - 2018</i>
<i>Major Funds:</i>			
<i>General Fund</i>	\$ 27,158,005	\$ 30,167,591	\$ 3,009,586
<i>School Lunch Fund</i>	781,428	942,586	161,158
<i>Debt Service Fund</i>	11,926,686	12,452,213	525,527
<i>Capital Projects Funds</i>	3,436,759	(4,143,153)	(7,579,912)
<i>Total Governmental Funds</i>	\$ 43,302,878	\$ 39,419,237	\$ (3,883,641)

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Superintendent approves budgetary transfers that revise the School District budget line items and the board reviews the transfers. Typically these budget amendments consist of budget transfers between functions, which do not increase the overall budget. During the current year, the budget was increased to reflect receipt of gifts and donations and increases in appropriated reserves and appropriated fund balance.

The School District received \$1,577,888 more in General Fund revenues and other financing sources than was budgeted, primarily due to higher than expected state aid. Expenditures and other financing uses were lower than the revised budget (with carryover encumbrances) by \$2,352,604. This is primarily due to lower than expected costs related to general support, instructional programs, and employee benefit expense.

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Figure 8 summarizes the original and final budgets, the actual expenditures (including encumbrances), and the variances for the year ending June 30, 2018.

Figure 8

<i>Condensed Budgetary Comparison General Fund - 2018</i>	<i>Original Budget</i>	<i>Revised Budget</i>	<i>Actual w/ Encumbrances</i>	<i>Favorable (Unfavorable) Variance</i>
REVENUES				
<i>Real property taxes</i>	\$ 25,539,689	\$ 25,833,454	\$ 25,633,051	\$ (200,403)
<i>Other tax items</i>	7,808,899	7,515,134	7,671,946	156,812
<i>State sources</i>	91,032,106	91,048,878	91,542,531	493,653
<i>Federal sources</i>	490,000	490,000	824,190	334,190
<i>Other, including financing sources</i>	2,331,300	2,563,297	3,356,933	793,636
Total Revenues and Other Financing Sources	\$ 127,201,994	\$ 127,450,763	\$ 129,028,651	\$ 1,577,888
Appropriated Fund Balances and Reserves	\$ -	\$ 677,625		
Encumbrances	\$ 666,042	\$ 666,042		
EXPENDITURES				
<i>General support</i>	\$ 17,191,879	16,475,094	\$ 16,112,260	\$ 362,834
<i>Instruction</i>	56,279,939	57,121,875	55,786,679	1,335,196
<i>Pupil transportation</i>	5,225,334	5,101,395	5,034,104	67,291
<i>Community service</i>	527,576	318,461	310,063	8,398
<i>Employee benefits</i>	34,685,012	31,942,883	31,390,891	551,992
<i>Debt service</i>	13,337,588	17,713,805	17,713,804	1
<i>Other financing uses</i>	620,708	120,917	94,025	26,892
Total Expenditures and Other Financing (Uses)	\$ 127,868,036	\$ 128,794,430	\$ 126,441,826	\$ 2,352,604

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2018, the School District had invested in a broad range of capital assets. Capital assets, net of related depreciation, increased \$4,653,812 during 2018.

Figure 9

<i>Changes in Capital Assets</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Land</i>	\$ 1,465,563	\$ 1,465,563	\$ -
<i>Construction in progress</i>	10,474,994	19,264,623	8,789,629
<i>Buildings, net</i>	141,318,287	136,895,458	(4,422,829)
<i>Equipment, net</i>	7,910,270	8,197,282	287,012
<i>Total</i>	\$ 161,169,114	\$ 165,822,926	\$ 4,653,812

Capital asset activity for the year ended June 30, 2018 included the following:

Construction in progress	\$ 14,523,149
Machinery and equipment	93,723
Vehicles and buses	1,569,384
Total additions	<u>16,186,256</u>
Less depreciation expense	<u>(11,532,444)</u>
Net Change in Capital Assets	<u><u>\$ 4,653,812</u></u>

Debt Administration

Debt, both short and long-term, considered a liability of Governmental Activities, increased by \$9,427,063 in 2018, as shown in Figure 10. Total indebtedness represented 45.4% of the constitutional debt limit, exclusive of building aid estimates.

Figure 10

<i>Outstanding Debt</i>	<i>Governmental Activities and Total School District</i>		<i>Total Dollar Change</i>
	<i>2017</i>	<i>2018</i>	<i>2017 - 2018</i>
<i>Bond anticipation notes</i>	\$ 1,000,000	\$ 21,000,000	\$ 20,000,000
<i>Serial bonds</i>	65,259,206	54,686,269	(10,572,937)
<i>Total</i>	\$ 66,259,206	\$ 75,686,269	\$ 9,427,063

ELMIRA CITY SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

Additional information on the maturities and terms of the School District's outstanding debt can be found in the notes to these financial statements.

The School District's bond rating is A, which did not change from the prior year.

FACTORS BEARING ON THE SCHOOL DISTRICT'S FUTURE

- School Districts in New York State are impacted by the political pressures imposed on officials in the funding of school districts. Year to year changes in funding levels and state aid formulas complicate the planning process for schools.
- All governments are operating under a state mandated property tax levy cap. This legislation limits the School District's ability to increase property taxes to help offset increases in contractual salaries, pension, and health insurance. If the School District wants to propose a tax levy above the property tax cap limit, the proposed budget must be approved by 60% or more of the voters.
- There will be challenges related to the increase costs of health insurance, the teachers' retirement system and employees' retirement system. Pension rates are established by New York State and the School District must legally provide this benefit to its employees.
- A new charter school, Finn Academy, located within the Elmira City School District began operations in the 2015-16 school year. Finn Academy currently has 332 students enrolled from kindergarten to 6th grade and plans to add a new grade level each year until grade 8. This could have a large impact on the School District and distribution of State aid.

CONTACTING THE SCHOOL DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School District's citizens, taxpayers, customers, investors, and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Elmira City School District, at 951 Hoffman Street, Elmira NY 14905.

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2018

ASSETS

Current Assets

Cash and cash equivalents - Unrestricted	\$ 14,365,997
Cash and cash equivalents - Restricted	9,448,751
Taxes receivable	1,527,698
Due from state and federal governments	5,100,568
Due from other governments	4,155,575
Due from fiduciary funds	14,983
Other receivables, net	549,378
Inventories	196,026
Prepaid items	2,504,740
Total Current Assets	37,863,716

Noncurrent Assets

Restricted cash	34,576,936
Net pension asset-proportionate share	1,650,595
Capital assets, net:	
Nondepreciable	20,730,186
Depreciable capital assets, net	145,092,740
Total Noncurrent Assets	202,050,457

Total Assets	239,914,173
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DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources - Pensions	26,636,582
Deferred outflows of resources - OPEB	11,162,448
Deferred charges on defeased debt	332,303

Total Deferred Outflows of Resources	38,131,333
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LIABILITIES

Current Liabilities

Accounts payable	3,170,783
Accrued liabilities	791,820
Due to other governments	959,274
Bond interest and matured bonds	466,844
Bond anticipation notes payable	21,000,000
Overpayments and collections in advance	2,994
Unearned revenues - other	6,676
Due to Teachers' Retirement System	3,610,501
Due to Employees' Retirement System	459,062

Current portion of long-term liabilities

Bonds payable	10,147,967
Compensated absences	942,492
Total Current Liabilities	41,558,413

See Independent Auditor's Report and Notes to Basic Financial Statements

LIABILITIES (continued)**Noncurrent Liabilities and Obligations**

Bonds payable	\$ 44,538,302
Compensated absences	<u>2,844,393</u>
Other postemployment benefits liability	<u>381,216,447</u>
Net pension liability - Proportionate share	<u>1,267,675</u>
Total Noncurrent Liabilities and Obligations	<u>429,866,817</u>

Total Liabilities471,425,230**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources - Pensions	<u>8,849,977</u>
Deferred inflows of resources - OPEB	<u>40,042,344</u>

Total Deferred Inflows of Resources48,892,321**NET POSITION**

Net investment in capital assets	<u>98,808,883</u>
Restricted	<u>34,895,032</u>
Unrestricted net (deficit)	<u>(375,975,960)</u>

Total Net Position\$ (242,272,045)

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants	
General support	\$ 22,744,395	\$	\$	\$	\$ (22,744,395)
Instruction	112,958,738	428,548	9,320,715	2,447,020	(100,762,455)
Pupil transportation	7,095,225				(7,095,225)
Community services	647,396				(647,396)
School lunch program	3,429,498	119,426	3,589,470		279,398
Interest on debt	2,003,699				(2,003,699)
Total Functions and Programs	\$ 148,878,951	\$ 547,974	\$ 12,910,185	\$ 2,447,020	(132,973,772)

GENERAL REVENUES

Real property taxes	25,633,051
Real property tax items	7,671,946
Use of money and property	329,161
Unrestricted state sources	91,644,842
Medicaid reimbursement	651,714
Sale of property	369,647
Miscellaneous	2,102,980
Intergovernmental revenue	121,911

Total General Revenues

128,525,252

Change in Net Position

(4,448,520)

Total Net Position - Beginning of Year, as Restated

(237,823,525)

Total Net Position - End of Year

\$ (242,272,045)

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS JUNE 30, 2018

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
ASSETS			
Cash and cash equivalents - Unrestricted	\$ 5,529,918	\$ 444,282	\$
Cash and cash equivalents - Restricted	22,124,723		591,902
Taxes receivable	1,527,698		
Due from other funds	1,441,793		
Due from state and federal governments	2,423,060	1,064,652	220,987
Due from other governments	4,155,575		
Due from fiduciary funds	14,983		
Other receivables, net	543,140		6,238
Inventories			196,026
Prepaid items	2,504,740		
Total Assets	\$ 40,265,630	\$ 1,508,934	\$ 1,015,153
LIABILITIES			
Accounts payable	\$ 1,286,564	\$ 93,837	\$ 3,559
Accrued liabilities	756,761	20,778	14,281
Due to other funds	3,155	1,394,319	47,474
Due to other governments	958,697		577
Due to Teachers' Retirement System	3,610,501		
Due to Employees' Retirement System	459,062		
Bond Anticipation Notes payable			
Overpayments and collections in advance	2,994		6,676
Compensated absences	942,492		
Total Liabilities	8,020,226	1,508,934	72,567
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	2,077,813		
Total Deferred Inflows	2,077,813	-	-
FUND BALANCES			
Nonspendable	2,504,740		196,026
Restricted	21,696,259		746,560
Assigned	422,761		
Unassigned	5,543,831		
Total Fund Balances (Deficit)	30,167,591	-	942,586
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 40,265,630	\$ 1,508,934	\$ 1,015,153

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$
	8,391,797	14,365,997
12,450,685	8,858,377	44,025,687
		1,527,698
1,528	3,155	1,446,476
	1,391,869	5,100,568
		4,155,575
		14,983
		549,378
		196,026
		2,504,740
\$ 12,452,213	\$ 18,645,198	\$ 73,887,128
\$	\$	\$
	1,786,823	3,170,783
		791,820
	1,528	1,446,476
		959,274
		3,610,501
		459,062
	21,000,000	21,000,000
		9,670
		942,492
-	22,788,351	32,390,078
		2,077,813
-	-	2,077,813
		2,700,766
12,452,213		34,895,032
		422,761
	(4,143,153)	1,400,678
12,452,213	(4,143,153)	39,419,237
\$ 12,452,213	\$ 18,645,198	\$ 73,887,128

ELMIRA CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Fund Balances (Deficit) - Total Governmental Funds **\$ 39,419,237**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Capital assets, net of accumulated depreciation, used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.

Total historical cost	\$ 305,152,768	
Less accumulated depreciation	<u>(139,329,842)</u>	165,822,926

Revenues not collected within 90 days (60 days for property taxes) of year end are deferred inflows of resources for the fund financial statements, but are recognized on the accrual basis for the district-wide financial statements. The amount of revenues classified as deferred inflows of resources on the fund financial statements is:

Unavailable tax revenue	\$ 1,527,698	
Unavailable rental revenue	39,000	
Unavailable aid	<u>511,115</u>	2,077,813

The School District's proportionate share of the Employee Retirement Systems' collective net pension asset or liability is not reported in the funds.

TRS net pension asset - Proportionate share	\$ 1,650,595	
ERS net pension liability - Proportionate share	<u>(1,267,675)</u>	382,920

Deferred outflows of resources, including deferred charges on defeased debt and pensions, represents a consumption of net position that applies to future periods and, therefore, is not reported in the funds. Deferred inflows of resources, including OPEB and pensions, represents an acquisition of net position that applies to future periods and, therefore, is not reported in the funds.

Deferred charges on defeased debt	\$ 332,303	
Deferred outflows - OPEB	11,162,448	
Deferred inflows - OPEB	(40,042,344)	
ERS deferred outflows of resources - Pension	4,299,785	
ERS deferred inflows of resources - Pension	(4,092,024)	
TRS deferred outflows of resources - Pension	22,336,797	
TRS deferred inflows of resources - Pension	<u>(4,757,953)</u>	(10,760,988)

Long-term liabilities, including bonds payable, compensated absences, and amounts due for other postemployment employee benefits, are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds payable	\$ (54,255,000)	
Unamortized bond premium	(431,269)	
Compensated absences	(2,844,393)	
Other postemployment benefits liabilities	<u>(381,216,447)</u>	(438,747,109)

Interest is accrued on outstanding balances of debt obligations in the District-wide financial statements.

Accrued interest on long-term debt		<u>(466,844)</u>
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Net (Deficit) of Governmental Activities **\$ (242,272,045)**

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Major Funds		
	General Fund	Special Aid Fund	School Lunch Fund
REVENUES			
Real property taxes	\$ 25,633,051	\$	\$
Real property tax items	204,922		
Other tax items	7,467,024		
Charges for services	428,548		
Use of money and property	295,979		909
Sale of property and compensation for loss	138,522		
Miscellaneous	2,102,980		26,895
State sources	91,542,531	2,422,307	79,875
Intergovernmental revenues	121,911		
Medicaid reimbursement	651,714		
Federal sources	172,476	6,725,932	3,509,595
Sales - School lunch			92,531
Total Revenues	128,759,658	9,148,239	3,709,805
EXPENDITURES			
General support	15,844,901		
Instruction	55,733,222	7,487,575	1,670,110
Pupil transportation	4,937,847		
Community services	304,375		
Employee benefits	31,390,891	1,753,779	491,165
Debt service			
Principal	15,335,000		
Interest	2,378,804		
Cost of sales			1,388,282
Capital outlay			
Total Expenditures	125,925,040	9,241,354	3,549,557
Excess (Deficiency) of Revenues Over Expenditures	2,834,618	(93,115)	160,248
OTHER FINANCING SOURCES AND (USES)			
BANs redeemed from appropriations			
Premium on obligations			
Operating transfers in	268,993	93,115	910
Operating transfers (out)	(94,025)		
Total Other (Uses) Sources	174,968	93,115	910
Net Change in Fund Balance	3,009,586	-	161,158
Fund Balances - Beginning of Year	27,158,005	-	781,428
Fund Balances - End of Year	\$ 30,167,591	\$ -	\$ 942,586

See Independent Auditor's Report and Notes to Basic Financial Statements

Major Funds		
Debt Service Fund	Capital Projects Fund	Total Governmental Funds
\$	\$	\$ 25,633,051
		204,922
		7,467,024
		428,548
32,273		329,161
	231,125	369,647
		2,129,875
	2,447,020	96,491,733
		121,911
		651,714
		10,408,003
		92,531
<u>32,273</u>	<u>2,678,145</u>	<u>144,328,120</u>
		15,844,901
		64,890,907
		4,937,847
		304,375
		33,635,835
		15,335,000
		2,378,804
		1,388,282
	14,754,273	14,754,273
<u>-</u>	<u>14,754,273</u>	<u>153,470,224</u>
<u>32,273</u>	<u>(12,076,128)</u>	<u>(9,142,104)</u>
	5,000,000	5,000,000
258,463		258,463
234,791		597,809
	(503,784)	(597,809)
<u>493,254</u>	<u>4,496,216</u>	<u>5,258,463</u>
525,527	(7,579,912)	(3,883,641)
<u>11,926,686</u>	<u>3,436,759</u>	<u>43,302,878</u>
<u>\$ 12,452,213</u>	<u>\$ (4,143,153)</u>	<u>\$ 39,419,237</u>

ELMIRA CITY SCHOOL DISTRICT

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Total Governmental Funds **\$ (3,883,641)**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlay	\$ 16,186,256	
Depreciation expense	<u>(11,532,444)</u>	4,653,812

Certain revenue in the Governmental Funds is deferred because it is not available soon enough after year-end to pay for the current period's expenditures. On the accrual basis, however, this revenue is recognized regardless of when it is collected.

Change in unavailable revenue		102,311
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Principal payment		10,335,000
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Long-term liabilities, such as those associated with employee benefits, are reported in the Statement of Net Position. Therefore expenses which result in an (increase) or decrease in these long-term liabilities are not reflected in the Governmental Fund financial statements. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to other postemployment benefits do not effect current financial resources and are also not reported in the Governmental Funds.

Other postemployment benefits liabilities	\$ (15,365,804)	
Compensated absences	<u>157,169</u>	(15,208,635)

Interest expense reported in the Statement of Activities includes changes in accrued interest, premiums on obligations and deferred charges from advance refunding of bonds. These items are not included in interest expense in the Governmental Fund financial statements.

Amortization of bond premium	\$ 237,937	
Amortization of deferred amounts on refunded debt	(181,670)	
Change in accrued interest	<u>60,375</u>	116,642

Changes in the School District's proportionate share of net pension assets and liabilities have no effect on current financial resources and, therefore, are not reported in the Governmental Funds. In addition, changes in the School District's deferred outflows and deferred inflows of resources related to pensions do not effect current financial resources and are, also, not reported in the Governmental Funds.

TRS	\$ (613,962)	
ERS	<u>49,953</u>	<u>(564,009)</u>

Net Change in Net Position of Governmental Activities **\$ (4,448,520)**

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS JUNE 30, 2018

	Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash - Unrestricted	\$	\$ 233,361
Cash - Restricted	43,120	
Total Assets	43,120	\$ 233,361
LIABILITIES		
Due to Governmental Funds		\$ 14,983
Extraclassroom Activity Funds balance		121,176
Other liabilities		97,202
Total Liabilities	-	\$ 233,361
NET POSITION		
Restricted for scholarships	\$ 43,120	

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust Fund
ADDITIONS	
Gifts and contributions	\$ 1,030
Investment earnings	23
Total Additions	<u>1,053</u>
DEDUCTIONS	
Scholarships and awards	<u>3,639</u>
Change in Net Position	(2,586)
Net Position - Beginning of Year	<u>45,706</u>
Net Position - End of Year	\$ <u><u>43,120</u></u>

See Independent Auditor's Report and Notes to Basic Financial Statements

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies**

The accompanying financial statements of the Elmira City School District (the School District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for governments, as prescribed by the Governmental Accounting Standards Board (GASB), which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

Essentially, the primary function of the School District is to provide education for pupils. Services such as transportation of pupils, administration, finance, and plant maintenance support the primary function.

The School District is governed by the laws of New York State. The School District is an independent entity governed by an elected Board of Education consisting of 9 members. The President of the Board serves as the chief fiscal officer and the Superintendent is the chief executive officer. The Board is responsible for, and controls all activities related to public school education within the District. Board members have authority to make decisions, power to appoint management, and primary accountability for all fiscal matters.

The financial reporting entity consists of the following, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39, "Determining Whether Certain Organizations are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus."

- The primary government, which is the Elmira City School District;
- Organizations for which the primary government is financially accountable, and;
- Other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

The accompanying financial statements present the activities of the School District. The School District is not a component unit of another reporting entity.

The decision to include a potential component unit in the School District's reporting entity is based on several criteria including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the Extraclassroom Activity Funds are included in the School District's reporting entity.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

The Extraclassroom Activity Funds of the Elmira City School District represent funds of the students of the School District. The Board of Education exercises general oversight of these funds. The Extraclassroom Activity Funds are independent of the School District with respect to its financial transactions and the designation of student management. Separate audited financial statements (cash basis) of the Extraclassroom Activity Funds can be obtained from the School District's office, located at 951 Hoffman Street, Elmira NY 14905.

Joint Venture

The Elmira City School District is one of 21 component school districts in the Greater Southern Tier Board of Cooperative Educational Services (BOCES). A BOCES is a voluntary, cooperative association of School Districts in a geographic area that share planning, services, and programs which provide educational and support activities. There is no authority or process by which a school district can terminate its status as a BOCES component.

BOCES are organized under §1950 of the New York State Education Law. A BOCES Board is considered a corporate body. Members of a BOCES board are nominated and elected by their component member boards in accordance with provisions of §1950 of the New York State Education Law. All BOCES property is held by the BOCES Board as a corporation (§1950(6)). In addition, BOCES Boards also are considered municipal corporations to permit them to contract with other municipalities on a cooperative basis under §119-n(a) of the New York State General Municipal Law.

A BOCES budget is comprised of separate budgets for administrative, program, and capital costs. Each component school district's share of administrative and capital cost is determined by resident public school district enrollment as defined in Education Law, §1950(4)(b)(7). In addition, component School Districts pay tuition or a service fee for programs in which its students participate.

Separate financial statement of Greater Southern Tier BOCES may be obtained by contacting the Business Office, Greater Southern Tier BOCES, 459 Philo Road, Elmira, NY 14903.

Basis of Presentation - District-wide Financial Statements

The Statement of Net Position and the Statement of Activities present financial information about the School District's Governmental Activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental Activities generally are financed through taxes, state aid, intergovernmental revenues, and other exchange and non-exchange transactions. Operating grants include operating-specific and discretionary (either operating or capital) grants, while the capital grants column reflects capital-specific grants.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

The Statement of Net Position presents the financial position of the School District at fiscal year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the School District's Governmental Activities. Direct expenses are those specifically associated with and clearly identifiable to a particular function. Indirect expenses, principally employee benefits, are allocated to functional areas in proportion to the payroll expended for those areas. Program revenues include charges paid by the recipients of goods or services offered by the programs, and grants and contributions restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

Governmental Fund Financial Statements

The Governmental Fund financial statements provide information about the School District's funds, including Fiduciary Funds. Separate statements for each fund category (Governmental and Fiduciary) are presented. The emphasis of Governmental Fund financial statements is on major Governmental Funds, each displayed in a separate column.

The School District reports the following Major Governmental Funds:

- **General Fund:** This is the School District's primary operating fund. It accounts for all financial transactions not required to be accounted for in another fund.
- **Special Revenue Funds:** These funds account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specified purposes. Special revenue funds include the following:
 - **Special Aid Fund:** Used to account for proceeds received from State and federal grants that are restricted for special educational programs.
 - **School Lunch Fund:** Used to account for child nutrition activities whose funds are restricted as to use.
- **Capital Projects Fund:** Accounts for the financial resources used for the renovation of the School District's educational complex.
- **Debt Service Fund:** Accounts for the accumulation of resources and the payment of principal and interest on long-term general obligation debt of Governmental Activities.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Fiduciary activities are those in which the School District acts as trustee or agent for resources that belong to others. These activities are not included in the District-wide financial statements, because their resources do not belong to the School District, and are not available to be used.

The School District reports the following Fiduciary Funds:

- **Private-Purpose Trust Fund:** Accounts for Scholarship Funds awarded to individual students. These activities, and those of the Agency Funds described below, are not included in the District-wide financial statements because their resources do not belong to the School District and are not available to be used.
- **Agency Funds:** Strictly custodial in nature and do not involve measurement of results of operations. Assets are held by the School District as agent for various student groups or Extraclassroom Activity Funds and for payroll or employee withholding.

Measurement Focus and Basis of Accounting

The District-wide and Fiduciary Fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Non-exchange transactions, in which the School District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from state aid is recognized in the fiscal year it is apportioned by the state. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School District considers all revenues reported in the Governmental Funds to be available if the revenues are collected within 90 days after the end of the fiscal year, except for real property taxes, which are considered to be available if they are collected within 60 days after the end of the fiscal year.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in Governmental Funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Cash and Investments

The School District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. New York State law governs the School District's investment policies. Resources must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. Permissible investments include obligations of the United States Treasury, United States Agencies, repurchase agreements and obligations of New York State or its localities. Collateral is required for demand and time deposits and certificates of deposit not covered by FDIC insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies and obligations of the State and its municipalities and districts. Investments are stated at fair value.

Accounts Receivable

Accounts receivable are shown gross, with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided, as it is believed that such allowance would not be material. All receivables are expected to be collected within the subsequent fiscal year.

Due To/From Other Funds

Eliminations have been made for amounts due to and due from within the same fund type. A detailed description of the individual fund balances at year end is provided subsequently in these notes.

Inventories and Prepaid Items

Inventories of food in the School Lunch Fund are recorded at cost on a first-in, first-out basis, or in the case of surplus food, at stated value, which approximates fair value. Purchases of inventory items in other funds are recorded as expenditures at the time of purchase, and are considered immaterial in amount. Prepaid items represent payments made by the School District for which benefits extend beyond year-end. These payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the District-wide and Governmental Fund financial statements. These items are reported as assets on the Statement of Net Position or Balance Sheet using the consumption method. A current asset for the prepaid amounts is recorded at the time of purchase and an expense/expenditure is reported in the year the goods or services are consumed.

A portion of fund balance equal to inventories and prepaid amounts is reported as nonspendable, as these assets are not in spendable form in the current period.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Capital Assets

Capital assets are reported at actual cost for acquisitions subsequent to the adoption of GASB Statement No. 34. For assets acquired prior to the adoption of GASB Statement No. 34, estimated historical costs, based on appraisal and research of the School District's accounting records, were used. Donated assets are reported at acquisition value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide financial statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Buildings	\$ 5,000	50 years
Building Improvements	5,000	15-20 years
Machinery and equipment	5,000	5-20 years

The School District utilizes the straight line method of depreciation.

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School District reports a deferred charge on defeased debt resulting from the difference in the carrying value of refunded debt and its reacquisition price, which is amortized over the shorter of the life of the refunded or refunding debt. The School District also reports deferred outflows related to pensions and OPEB plans in the District-wide Statement of Net Position. The types of deferred outflows related to pensions, and OPEB plans are described in Note 10 and 11, respectively.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The School District reports unavailable revenues - property taxes under the modified accrual basis of accounting in the Balance Sheet - Governmental Funds. In the Statement of Net Position, the School District also reports deferred inflows related to pensions and OPEB plans which are further described in Note 10 and 11, respectively.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Unearned and Unavailable Revenues

Unearned revenues arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability for deferred revenues is removed and revenues are recorded.

The Governmental Fund financial statements report unavailable revenues when potential revenues do not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both recognition criteria are met, the deferred inflow of resources is removed and revenues are recorded.

Vested Employee Benefits - Compensated Absences

Compensated absences consist of unpaid accumulated annual sick and vacation leave.

Sick leave eligibility and accumulation is specified in negotiated labor contracts, and in individual employment contracts. Upon retirement, resignation, or death, employees may contractually receive a payment based on unused accumulated sick leave.

District employees are granted vacation time in varying amounts, based primarily on length of service and service position. Some earned benefits may be forfeited if not taken within varying time periods.

Consistent with GASB Statement No. 16, "Accounting for Compensated Absences," the liability is included in the District-wide financial statements. The compensated absences liability is calculated based on the pay rates in effect at year end.

In the Governmental Fund financial statements only the amount of matured liabilities is accrued within the General Fund based upon expendable and available financial resources. These amounts are expensed on a pay-as-you go basis.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Other Postemployment Benefits

School District employees participate in the New York State Employees' Retirement System and the New York State Teachers' Retirement System.

In addition to providing pension benefits, the School District provides health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the School District's employees may become eligible for these benefits if they reach normal retirement age while working for the School District. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the School District and the retired employee. The School District recognizes the cost of providing health insurance by recording its share of insurance premiums as an expenditure or operating transfer to other funds in the General Fund, in the year paid.

The School District follows GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions." The School District's liability for other postemployment benefits has been recorded in the Statement of Net Position, in accordance with the statement. See Note 11 for additional information.

Overpayments and Collections in Advance

Overpayments and collections in advance arise when resources are received by the School District before it has legal claim to them, as when grant monies are received prior to the incidence of qualifying expenditures. In subsequent periods, when the School District has legal claim to the resources, the liability is removed and revenues are recorded.

Accrued Liabilities and Long-Term Obligations

Payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements. In the governmental funds, payables and accrued liabilities are paid in a timely manner and in full from current financial resources. Claims and judgements, other postemployment benefit payable, and compensated absences that will be paid from governmental funds, are reported as a liability in the funds financial statements only to the extent that they are due for payment in the current year. Bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Long-term obligations represent the School District's future obligations or future economic outflows. The liabilities are reported as due in one year or due within more than one year in the Statement of Net Position.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Restricted Resources

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, it is the School District's policy to apply restricted funds before unrestricted funds, unless otherwise prohibited by legal requirements.

Equity Classifications - District-wide Financial Statements

Equity is classified as net position and displayed in three components:

- Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted - Consists of resources with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - Consists of all other resources that do not meet the definition of "restricted" or "net investment in capital assets."

Equity Classifications - Governmental Fund Financial Statements

Constraints are broken into five classifications: nonspendable, restricted, committed, assigned, and unassigned. These classifications serve to inform readers of the financial statements of the extent to which the government is bound to honor any constraints on specific purposes for which resources in a fund can be spent.

- Nonspendable - Consists of assets inherently nonspendable in the current period either because of their form or because they must be maintained intact; including prepaid items, inventories, long-term portions of loans receivable, financial assets held for resale, and endowments principal.
- Restricted - Consists of amounts subject to legal purpose restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments and enforced externally; or through constitutional provisions or enabling legislation. Most of the School District's legally adopted reserves are reported here.
- Committed - Consists of amounts subject to a purpose constraint imposed by formal action of the government's highest level of decision-making authority prior to the end of the fiscal year, and requires the same level of formal action to remove said constraint.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Equity Classifications - Governmental Fund Financial Statements - Continued

- Assigned - Consists of amounts subject to a purpose constraint representing an intended use established by the government's highest level of decision-making authority, the Board of Education, or their designated body or official. The purpose of the assignment must be narrower than the purpose of the General Fund. In funds other than the General Fund, assigned fund balance represents the residual amount of fund balance.
- Unassigned - Represents the residual classification of the government's General Fund, and could report a surplus or deficit. In funds other than the General Fund, the unassigned classification should only be used to report a deficit balance resulting from overspending amounts restricted, committed, or assigned for specific purposes.

Real Property Tax Law §1318 limits the amount of unexpended surplus funds a school district can retain in the General Fund to no more than 4% of the next year's budgetary appropriations. Funds properly retained under other sections of law (i.e., reserve funds established pursuant to Education Law or GML) are excluded from the 4% limitation. The 4% limitation is applied to unrestricted fund balance (i.e., the total of the committed, assigned, and unassigned classifications), minus appropriated fund balance, amounts reserved for insurance recovery, amounts reserved for tax reduction, and encumbrances included in committed and assigned fund balance.

The Board of Education of the School District has not adopted any resolutions to commit or assign fund balance. Currently, fund balance is assigned by the Business Official for encumbrances and the Board of Education, by resolution, approves fund balance appropriations for next year's budget. The School District applies expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves

Fund balance reserves are created to satisfy legal restrictions, plan for future expenditures or relate to resources not available for general use or appropriation. The following reserve funds are available to school districts within the State of New York. These reserve funds are established through board action or voter approval and a separate identity must be maintained for each reserve. Earnings on the invested resources become part of the respective reserve funds; however, separate bank accounts are not necessary for each reserve fund. These reserves are reported in the fund financial statements as Restricted Fund Balance. Reserves currently in use by the School District include the following:

- **Workers Compensation Reserve (GML §6-j):** Used to pay for compensation benefits and other expenses authorized by Article 2 of the Workers' Compensation Law, and for payment of expenses for administering this self-insurance program. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or applied to the appropriations of the succeeding fiscal year's budget. The reserve is accounted for in the General Fund.
- **Unemployment Insurance Reserve (GML §6-m):** Used to pay the cost of reimbursement to the State Unemployment Insurance Fund for payments made to claimants where the employer has elected to use the benefit reimbursement method. The reserve may be established by board action and is funded by budgetary appropriations and such other funds as may be legally appropriated. Within 60 days after the end of any fiscal year, excess amounts may either be transferred to another reserve or the excess applied to the appropriations of the next succeeding fiscal year's budget. If the School District elects to convert to tax (contribution) basis, excess resources in the fund over the sum sufficient to pay pending claims may be transferred to any other reserve fund. This reserve is accounted for in the General Fund.
- **Retirement Contribution Reserve (GML §6-r):** Used for the purpose of financing retirement contributions. The reserve must be accounted for separate and apart from all other funds and a detailed report of the operation and condition of the fund must be provided to the board. This reserve is accounted for in the General Fund.
- **Employee Benefit Accrued Liability Reserve (GML §6-p):** Used to reserve funds for payment of accrued employee benefits upon termination of an employee's service. This reserve may be established by a majority vote of the board, and is funded by budgetary appropriations and such other reserves and funds that may be legally appropriated. This reserve is accounted for in the General Fund.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Liability Claims and Property Loss Reserve (Education Law §1709(8)(c)): Used to pay for liability claims and property loss incurred. Separate funds for liability claims and property loss are required, and these reserves may not in total exceed 3% of the annual budget or \$15,000, whichever is greater. This type of reserve fund may be utilized only by school districts with a population under 125,000. This reserve is accounted for in the General Fund.
- Insurance Reserve (GML §6-n): Used to pay liability, casualty and other types of losses, except losses incurred for which the following types of insurance may be purchased: life, accident, health, annuities, fidelity and surety, credit, title residual value and mortgage guarantee. In addition, this reserve may not be used for any purpose for which a special reserve may be established pursuant to law (for example, for unemployment compensation insurance). The reserve may be established by board action, and funded by budgetary appropriations, or such other funds as may be legally appropriated. There is no limit on the amount that may be accumulated in the Insurance Reserve, however, the annual contribution to this reserve may not exceed the greater of \$33,000 or 5% of the budget. Settled or compromised claims up to \$25,000 may be paid from the reserve without judicial approval. This reserve is accounted for in the General Fund.
- Tax Certiorari Reserve (Education Law §3651.1-a): Used to establish a reserve fund for tax certiorari and to expend from the fund without voter approval. The monies held in the reserve shall not exceed the amount that might reasonably be deemed necessary to meet anticipated judgments and claims arising out of tax certiorari proceedings. Any resources deposited to the reserve which are not expended for tax certiorari proceedings in the year such monies are deposited must be returned to the General Fund on or before the first day of the fourth fiscal year after deposit of these monies. This reserve is accounted for in the General Fund.
- Capital Reserve (Education Law §3651) - Used to pay the cost of any object or purpose for which bonds may be issued. The creation of a Capital Reserve Fund requires authorization by a majority of the voters establishing the purpose of the reserve, the ultimate amount, its probable term and the source of the funds. Expenditures may be made from the reserve only for a specific purpose further authorized by the voters. The form for the required legal notice for the vote on establishing and funding the reserve and the form of the proposition to be placed on the ballot are set forth in §3651 of the Education Law. This reserve is accounted for in the General Fund.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Legally Adopted Reserves - Continued

- Mandatory Debt Service Reserve (GML §6-1) - Used to establish a reserve for the purpose of retiring the outstanding obligations upon the sale of School District property or capital improvement that was financed by obligations which remain outstanding at the time of sale. The funding of the reserve is from the proceeds of the sale of School District property or capital improvement. This reserve is accounted for in the Debt Service Fund.
- Reserve for Tax Reduction (GML §6-1) - Used to establish a reserve for the purpose of gradual use of the proceeds of the sale of School District real property where such proceeds are not required to be placed in a mandatory reserve for debt service. Specifically, the district is permitted to retain the proceeds of the sale for a period not to exceed ten years and to use them during that period for tax reduction. This reserve is accounted for in the General Fund.

Property Taxes

Real property taxes are levied annually by the Board of Education no later than October 1. For the year ended June 30, 2018, the tax lien was issued on September 20, 2017. Taxes were collected during the period October 1, 2017 to March 31, 2018. Property taxes are permitted to be paid in installments during the collection period, with the first installment due on October 31 and the second due March 31.

The City of Elmira and Chemung County enforce uncollected real property taxes. An amount representing all uncollected real property taxes must be transferred by the City to the School District within two years from the return of unpaid taxes to the city. Real property taxes receivable expected to be collected within 60 days of fiscal year end, less similar amounts collected during this period in the preceding year are recognized as revenue. Otherwise, a deferred inflow of resources offsets real property taxes receivable.

Interfund Transfers

The operations of the School District give rise to certain transactions between funds, including transfers, to provide services and construct assets. The amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds for interfund transfers have been eliminated from the Statement of Activities. A detailed description of the individual fund transfers that occurred during the year is provided subsequently in these notes.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from those estimates. Estimates and assumptions are made in a variety of areas, including computation of encumbrances, compensated absences, potential contingent liabilities, and useful lives of long-lived assets.

New Accounting Standards

The School District has adopted and implemented the following Statements of the Governmental Accounting Standards Board (GASB) that are applicable as of June 30, 2018:

- GASB has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."
- GASB has issued Statement No. 85, "Omnibus 2017," effective for the year ended June 30, 2018.
- GASB has issued Statement No. 86, "Certain Debt Extinguishment Issues," effective for the year ended June 30, 2018.

Future Changes in Accounting Standards

- GASB has issued Statement No. 83, "Certain Asset Retirement Obligations," effective for the year ending June 30, 2019.
- GASB has issued Statement No. 84, "Fiduciary Activities," effective for the year ending June 30, 2019. This statement improves guidance regarding identification of fiduciary activities for accounting and reporting purposes.
- GASB has issued Statement No. 87, "Leases," effective for the year ending June 30, 2021.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 1* Summary of Significant Accounting Policies - Continued**

Future Changes in Accounting Standards - Continued

- GASB has issued Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,” effective for the year ending June 30, 2020. This statement improves the information disclosed in notes to governmental financial statements related to debt, including direct borrowings and direct placements.
- GASB has issued Statement No. 89, “Accounting for Interest Cost Incurred Before the End of a Construction Period,” effective for the year ending June 30, 2021.

The School District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

***Note 2* Participation in BOCES**

During the year ended June 30, 2018, the School District's share of BOCES income amounted to \$8,503,975. The School District was billed \$19,487,617 for BOCES administration and program costs. Financial statements for the Greater Southern Tier BOCES are available from the BOCES administrative office at 459 Philo Road, Elmira, New York, 14903.

***Note 3* Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks**

Custodial credit risk is the risk that in the event of a bank failure, the School District's deposits may not be returned to it. The School District has established a custodial credit risk policy which requires the school district to maintain collateralized deposits of at least 100% of amounts not covered under FDIC insurance. New York State statutes govern the School District's investment policies, as discussed previously in these notes. GASB Statement No. 40 directs that deposits be disclosed as exposed to custodial credit risk if they are not covered by depository insurance, and the deposits are either uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the School District's name.

The School District's aggregate bank balances of \$62,561,277 are either insured or collateralized with securities held by the pledging financial institution in the School District's name.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 3 Cash and Cash Equivalents - Custodial Credit, Concentration of Credit, Interest Rate and Foreign Currency Risks - Continued

Restricted cash consists of the following at June 30, 2018:

Restricted for debt service	\$	12,452,213
Restricted for capital projects		8,856,849
Restricted for school lunch		591,902
Restricted for General Fund reserves		21,696,259
Restricted for tax reduction		<u>428,464</u>
Total Governmental Funds		<u>44,025,687</u>
Private Purpose Trust Fund		<u>43,120</u>
Total	\$	<u><u>44,068,807</u></u>

Note 4 Other Receivables

Other receivables consisted of the following, which are stated at net realizable value.

	<u>Description</u>	<u>Amount</u>
General Fund	Other	\$ 543,140
School Lunch Fund	Charges for services	<u>6,238</u>
Total		\$ <u><u>549,378</u></u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 5 Interfund Balances and Activity

Interfund balances at June 30, 2018, are as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Interfund Revenues</u>	<u>Interfund Expenditures</u>
General Fund	\$ 1,441,793	\$ 3,155	\$ 268,993	\$ 94,025
Special Aid Fund		1,394,319	93,115	
Capital Projects Fund	3,155	1,528		503,784
School Lunch Fund		47,474	910	
Debt Service Fund	1,528		234,791	
Total	<u>\$ 1,446,476</u>	<u>\$ 1,446,476</u>	<u>\$ 597,809</u>	<u>\$ 597,809</u>

In addition to the above interfund activity, the Agency Fund owed the General Fund \$14,983 at year end.

The School District typically transfers from the General Fund to the Special Aid Fund the School District's share of the cost to accommodate the mandated accounting for the School District's share of expenditures of a Special Aid Fund project and to and from the Debt Service Fund for the payment of long-term debt. The School District also transfers funds from the Capital Reserve in the General Fund to Capital Funds, as needed, to fund capital projects.

The School District typically loans resources between funds for the purpose of mitigating the effects of transient cash flow issues. All interfund payables are expected to be repaid within one year.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 6 Capital Assets

Capital asset balances and activity for the year ended June 30, 2018, were as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements & Reclass- ification</u>	<u>Ending Balance</u>
Capital assets that are not depreciated:				
Land	\$ 1,465,563	\$	\$	\$ 1,465,563
Construction in progress	10,474,994	14,523,149	(5,733,520)	19,264,623
Total Nondepreciable Historical Cost	<u>11,940,557</u>	<u>14,523,149</u>	<u>(5,733,520)</u>	<u>20,730,186</u>
Capital assets that are depreciated:				
Buildings	261,702,628		5,733,520	267,436,148
Furniture and equipment	16,213,857	1,663,107	(890,530)	16,986,434
Total Depreciable Historical Cost	<u>277,916,485</u>	<u>1,663,107</u>	<u>4,842,990</u>	<u>284,422,582</u>
Total Historical Cost	<u>289,857,042</u>	<u>16,186,256</u>	<u>(890,530)</u>	<u>305,152,768</u>
Less accumulated depreciation:				
Buildings	(120,384,341)	(10,156,349)		(130,540,690)
Furniture and equipment	(8,303,587)	(1,376,095)	890,530	(8,789,152)
Total Accumulated Depreciation	<u>(128,687,928)</u>	<u>(11,532,444)</u>	<u>890,530</u>	<u>(139,329,842)</u>
Total Historical Cost, Net	\$ <u>161,169,114</u>	\$ <u>4,653,812</u>	\$ <u>-</u>	\$ <u>165,822,926</u>

Depreciation expense was charged to governmental functions as follows:

General support	\$ 1,824,357
Instruction	8,918,695
Pupil transportations	<u>789,392</u>
Total Depreciation Expense	\$ <u>11,532,444</u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 7 Short-term Debt

The School District may issue revenue anticipation notes (RANs) and tax anticipation notes (TANs), in anticipation of the receipt of revenues. These notes are recorded as a liability of the fund that will actually receive the proceeds from the issuance of the notes. The RANs and TANs represent a liability that will be extinguished by the use of expendable, available resources of the fund. The School District did not issue or redeem any RANs or TANs during the year.

The School District may issue budget notes up to an amount not to exceed 5% of the amount of the annual budget during any fiscal year for expenditures for which an insufficient or no provision is made in the annual budget. The budget note must be repaid no later than the close of the second fiscal year succeeding the year in which the note was issued. The School District did not issue or redeem any budget notes during the year.

The School District may issue bond anticipation notes (BANs), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANs issued for capital purposes be converted to long-term financing within five years after the original issue date. Such notes may be classified as long-term when (1) the intention is to refinance the debt on a long-term basis and (2) the intention can be substantiated through a post balance sheet issuance of long-term debt or by an acceptable financing agreement. BAN activity for the year is summarized below:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Ending Balance</u>
2017 BAN	1.39%	06/28/2018	\$ 1,000,000	\$	\$ 1,000,000	\$ -
2018 BAN	2.25%	06/28/2018		10,000,000	10,000,000	-
2018 BAN	2.50%	06/27/2019		10,000,000		10,000,000
2018 BAN	3.00%	06/27/2019		11,000,000		11,000,000
Total			\$ 1,000,000	\$ 31,000,000	\$ 11,000,000	\$ 21,000,000

Interest expense on short-term debt during the year was comprised of:

Interest paid	\$ 200,100
Less premium on BANs	(258,463)
Less interest accrued in the prior year	(77)
Plus interest accrued in the current year	<u>6,444</u>
Total	\$ <u>(51,996)</u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt

At June 30, 2018, the total outstanding indebtedness of the School District represented 45.4% of its statutory debt limit, exclusive of building aid. Long-term debt is classified as follows:

- Serial Bonds and Build America Bonds - The School District borrows money in order to acquire land or equipment or construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets.

The following is a summary of the School District's long-term debt for the year ended June 30, 2018:

<u>Description of Issue</u>	<u>Issue Date</u>	<u>Final Maturity</u>	<u>Interest Rate</u>	<u>Outstanding June 30, 2018</u>
Refunding Bonds				
Refunding Bonds - 2011	08/26/2011	06/15/2022	2.00% - 5.00%	\$ 3,475,000
Refunding Bonds - 2012	02/16/2012	06/15/2019	2.00% - 3.00%	395,000
Refunding Bonds - 2013	09/06/2012	06/15/2019	1.50% - 4.00%	805,000
Refunding Bonds - 2014	03/11/2014	06/15/2024	2.00% - 5.00%	4,000,000
Refunding Bonds - 2015	03/04/2015	06/15/2025	1.50% - 5.00%	4,030,000
Total Refunding Bonds				<u>12,705,000</u>
Build America Bonds				
QZAB - Construction	06/15/2010	06/15/2025	0.80%	8,575,000
QSCB - Construction	08/04/2011	08/01/2025	5.75%	3,275,000
Total Build America				<u>11,850,000</u>
Serial Bonds				
Serial Bond - 2011	05/20/2011	06/15/2023	3.00% - 4.00%	3,045,000
Serial Bond - 2012	04/24/2012	06/15/2025	2.00% - 4.00%	5,640,000
Serial Bond - 2013	09/24/2013	10/15/2024	3.00% - 5.00%	8,155,000
Serial Bond - 2013	11/18/2013	02/01/2025	2.00% - 5.00%	12,860,000
Total Serial Bonds				<u>29,700,000</u>
Plus premium of refinancing				<u>431,269</u>
Total Bonds Payable				<u><u>\$ 54,686,269</u></u>

Interest expense on long-term debt during the year was:

Interest paid	\$ 2,178,704
Less interest accrued in the prior year	(527,142)
Plus interest accrued in the current year	460,400
Plus amortization of deferred charges on defeased debt	181,670
Less amortization of bond premium	<u>(237,937)</u>
Total	<u><u>\$ 2,055,695</u></u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

Interest paid on the Serial Bonds varies from year to year, in accordance with interest rates specified in the bond agreements.

Long-term debt balances and activity for the year are summarized as follows:

Governmental Activities	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
Bonds	\$ 64,590,000	\$	\$ (10,335,000)	\$ 54,255,000	\$ 9,980,000
Plus: premium on refunded debt	669,206		(237,937)	431,269	167,967
Total	\$ 65,259,206	\$ -	\$ (10,572,937)	\$ 54,686,269	\$ 10,147,967

A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred charges on defeased debt are summarized as follows:

	Beginning Balance	Issued	Redeemed	Ending Balance	Amounts Due Within One Year
2011 Refunding Bonds	\$ 126,746	\$	\$ (37,896)	\$ 88,850	\$ 32,285
2012A Refunding Bonds	5,601		(3,718)	1,883	1,883
2012B Refunding Bonds	31,765		(22,191)	9,574	9,574
2014 Refunding Bonds	163,164		(70,806)	92,358	47,270
2015 Refunding Bonds	186,697		(47,059)	139,638	38,188
Total Deferred Charges on Defeased Debt	\$ 513,973	\$ -	\$ (181,670)	\$ 332,303	\$ 129,200

The following is a summary of the maturity of long-term indebtedness:

Year	Principal	Interest	Total
2019	\$ 9,980,000	\$ 1,815,950	\$ 11,795,950
2020	8,765,000	1,466,090	10,231,090
2021	7,915,000	1,180,225	9,095,225
2022	7,625,000	905,680	8,530,680
2023	6,900,000	636,305	7,536,305
2024-2026	13,070,000	599,590	13,669,590
Total	\$ 54,255,000	\$ 6,603,840	\$ 60,858,840

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 8* Long-term Debt - Continued**

On August 26, 2011, the School District issued \$18,075,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$18,080,000 outstanding various general obligation bonds with interest rates ranging from 4.0% to 5.75%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$18,080,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$3,815,000 at June 30, 2018.

On February 16, 2012, the School District issued \$5,370,000 in general obligation bonds, with interest rates ranging between 2.0% and 3.0%. The School District issued the bonds to advance refund the \$5,375,000 outstanding various general obligation bonds with interest rates ranging from 4.0% to 5.0%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$5,375,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$440,000 at June 30, 2018.

On September 6, 2012, the School District issued \$7,375,000 in general obligation bonds, with interest rates ranging between 1.5% and 4.0%. The School District issued the bonds to advance refund the \$7,385,000 outstanding various general obligation bonds with interest rates ranging from 3.5% to 4.25%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$7,385,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$865,000 at June 30, 2018.

On March 11, 2014, the School District issued \$8,595,000 in general obligation bonds, with interest rates ranging between 2.0% and 5.0%. The School District issued the bonds to advance refund the \$8,595,000 outstanding various general obligation bonds with an interest rate of 4.0%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$8,595,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$4,155,000 at June 30, 2018.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 8 Long-term Debt - Continued

On March 4, 2015, the School District issued \$5,275,000 in general obligation bonds, with interest rates ranging between 1.5% and 5.0%. The School District issued the bonds to advance refund the \$5,280,000 outstanding various general obligation bonds with interest rates ranging from 4.125% to 4.250%. The School District used the net proceeds along with other resources to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the bonds. As a result, the \$5,280,000 in bonds is considered defeased and the liability has been removed from the financial statements. The outstanding principal of the defeased bonds was \$4,085,000 at June 30, 2018.

Note 9 Compensated Absences

In addition to the above long-term debt, the School District had the following other long-term obligations:

- **Compensated Absences:** Represent the value of the earned and unused portion of the liability of compensated absences. This liability is liquidated from the General and School Lunch Funds.

Compensated absences balances and activity are summarized as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Amounts due within one year
Compensated absences	\$ 3,767,072	\$ 19,813	\$ -	\$ 3,786,885	\$ 942,492
Total	\$ 3,767,072	\$ 19,813	\$ -	\$ 3,786,885	\$ 942,492

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided

Teachers' Retirement System (TRS)

The School District participates in the New York State Teachers' Retirement System (TRS). This is a cost-sharing multiple-employer public employee retirement system. The System provides retirement benefits as well as death and disability benefits to plan members and beneficiaries as authorized by the Education Law and the Retirement and Social Security Law (RSSL) of the State of New York. The System is governed by a 10 member Board of Trustees. System benefits are established under New York State Law. Membership is mandatory and automatic for all full-time teachers, teaching assistants, guidance counselors and administrators employed in New York Public Schools and BOCES who elected to participate in TRS. Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. Additional information regarding the System may be obtained by writing to the New York State Teachers' Retirement System, 10 Corporate Woods Drive, Albany, New York 12211-2395 or by referring to the NYSTRS Comprehensive Annual Financial report which can be found on the System's website at www.nystrs.org.

Tier 3 and Tier 4 members are required by law to contribute 3% of salary to the System. Effective October 2000, contributions were eliminated for Tier 3 and 4 members with 10 or more years of service or membership. Effective January 1, 2010, Tier 5 members are required by law to contribute 3.5% of salary throughout their active membership. Effective April 1, 2012, Tier 6 members are required by law to contribute between 3% and 6% of salary throughout their active membership in accordance with a salary based upon salary earned. Pursuant to Article 14 and Article 15 of the RSSL, those member contributions are used to help fund the benefits provided by the System. However, if a member dies or leaves covered employment with less than 5 years of credited service for Tiers 3 and 4, or 10 years of credited service for Tiers 5 and 6, the member contributions with interest calculated at 5% per annum are refunded to the employee or designated beneficiary. Eligible Tier 1 and Tier 2 members may make member contributions under certain conditions pursuant to the provisions of Article 11 of the Education Law and Article 11 of the RSSL. Upon termination of membership, such accumulated member contributions are refunded. At retirement, such accumulated member contributions can be withdrawn or are paid as a life annuity.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 10* Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued**

Plan Descriptions and Benefits Provided - Continued

Employees' Retirement System (ERS)

The School District participates in the New York State and Local Employees' Retirement System (ERS). This is a cost-sharing, multiple-employer, defined benefit pension plan. The System provides retirement benefits as well as death and disability benefits. The net position of the System is held in the New York State Common Retirement Fund (the Fund), which was established to hold all net assets and record changes in plan net position allocated to the System. The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of the System. System benefits are established under the provisions of the New York State Retirement and Social Security Law (RSSL). Once a public employer elects to participate in the System, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a state statute. The School District also participates in the Public Employees' Group Life Insurance Plan (GLIP), which provides death benefits in the form of life insurance. The System is included in the State's financial report as a pension trust fund. That report, including information with regard to benefits provided, may be found at www.osc.state.ny.us/retire/publications/index.php or obtained by writing to the New York State and Local Retirement System, 110 State Street, Albany, New York 12244.

Generally, Tier 3, 4, and 5 members must contribute 3% of their salary to the System. As a result of Article 19 of the RSSL, eligible Tier 3 and 4 employees, with a membership date on or after July 27, 1973, who have ten or more years of membership or credited service with the System, are not required to contribute. Members cannot be required to begin making contributions or to make increased contributions beyond what was required when membership began. For Tier 6 members, the contribution rate varies from 3% to 6% depending on salary. Generally, Tier 5 and 6 members are required to contribute for all years of service.

Summary of Significant Accounting Policies

The Systems' financial statements from which the Systems' fiduciary respective net position is determined are prepared using the accrual basis of accounting. Plan member contributions are recognized when due and the employer has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Plan investments are reported at fair value. For detailed information on how investments are valued, please refer to the Systems' annual reports.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Contributions

The School District is required to contribute at an actuarially determined rate. The School District's contributions made to the Systems were equal to 100% of the contributions required for each year. The required contributions for the current year and two preceding years were:

<u>Year</u>	<u>ERS</u>	<u>TRS</u>
2018	\$ 1,829,633	\$ 4,033,081
2017	1,751,188	4,545,078
2016	2,532,285	5,974,257

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the School District reported the following (asset) liability for its proportionate share of the net pension (asset) liability for each of the Systems. The net pension (asset) liability was measured as of March 31, 2018 for ERS and June 30, 2017 for TRS. The total pension (asset) liability used to calculate the net pension (asset) liability was determined by an actuarial valuation. The School District's proportionate share of the net pension (asset) liability was based on a projection of the School District's long-term share of contributions to the Systems relative to the projected contributions of all participating members, actuarially determined. This information was derived from reports provided to the School District by the ERS and TRS Systems.

	<u>ERS</u>	<u>TRS</u>
Actuarial valuation date (asset)	4/1/2017	6/30/2016
Net pension liability	\$ 3,227,444,946	\$ (760,099,284)
School District's proportionate share of the Plan's total net pension (asset) liability	1,267,675	(1,650,595)
School District's share of the net pension (asset) liability	0.039278%	0.217155%

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

For the year ended June 30, 2018, the School District recognized pension expense of \$1,781,333 for ERS and \$4,224,124 for TRS in the District-wide financial statements. At June 30, 2018 the School District's reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	ERS	TRS	ERS	TRS
Differences between expected and actual experience	\$ 452,138	\$ 1,358,034	\$ 373,630	\$ 643,548
Changes of assumptions	840,573	16,795,130		
Net differences between projected and actual earnings on pension plan investments	1,841,197		3,634,338	3,887,630
Changes in proportion and differences between the School District's contributions and proportionate share of contributions	706,815	573,131	84,056	226,775
School District's contributions subsequent to the measurement date	459,062	3,610,502		
Total	\$ 4,299,785	\$ 22,336,797	\$ 4,092,024	\$ 4,757,953

School District contributions subsequent to the measurement date, reported as deferred outflows of resources, will be recognized as a reduction of the net pension (asset) liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended	ERS	TRS
2019	\$ 520,150	\$ 456,298
2020	451,505	4,517,807
2021	(852,954)	3,254,153
2022	(370,002)	863,720
2023	-	3,244,902
Thereafter	-	1,631,462

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Actuarial Assumptions

The total pension liability as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension (asset) liability to the measurement date.

Significant actuarial assumptions used in the valuations were as follows:

	<u>ERS</u>	<u>TRS</u>
Measurement date	March 31, 2018	June 30, 2017
Actuarial valuation date	April 1, 2017	June 30, 2016
Investment rate of return	7.0%	7.3%
Salary scale	3.8%	1.9% - 4.72%
Cost of living adjustments	1.3%	1.5%
Inflation rate	2.5%	2.5%

For ERS, annuitant mortality rates are based on April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

For ERS, the actuarial assumptions used in the April 1, 2017 valuation are based on the results of an actuarial experience study for the period April 1, 2010 - March 31, 2015. For TRS, the actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014.

For ERS, the long term rate of return on pension plan investments was determined using a building block method in which best estimate ranges of expected future real rates of return (expected returns net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by each the target asset allocation percentage and by adding expected inflation. The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice (ASOP) No. 27, Selection of Economic Assumptions for Measuring Pension Obligations. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for each major asset class as well as historical investment data and plan performance. Best estimates of the arithmetic real rates of return for each major asset class included in the target asset allocation are summarized as follows:

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Asset Type:		
Domestic equities	4.55%	5.9%
International equities	6.35%	7.4%
Real estate	5.55%	4.3%
Private equity/Alternative investments	7.50%	9.0%
Absolute return strategies	3.75%	
Opportunistic portfolio	5.68%	
Real assets	5.29%	
Cash	-0.25%	
Inflation-indexed bonds	1.25%	
Domestic fixed income securities		1.6%
Global fixed income securities		1.3%
High-yield fixed income securities		3.9%
Mortgages and bonds	1.31%	2.8%
Short-term		0.6%

Discount Rate

The discount rate used to calculate the total pension (asset) liability was 7.0% for ERS and 7.25% for TRS. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and contributions from employers will be made at statutorily required rates, actuarially. Based on the assumptions, the Systems' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension (asset) liability.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to the Discount Rate Assumption

The following presents the School District's proportionate share of the net pension (asset) liability calculated using the discount rate of 7.0% for ERS and 7.25% for TRS, as well as what the School District's proportionate share of the net pension (asset) liability would be if it were calculated using a discount rate that is 1-percentage point lower or higher than the current rate:

ERS	1% Decrease (6.0%)	Current Assumption (7.0%)	1% Increase (8.0%)
School District's proportionate share of the net pension (asset) liability	\$ 9,591,570	\$ 1,267,675	\$ (5,774,008)

TRS	1% Decrease (6.25%)	Current Assumption (7.25%)	1% Increase (8.25%)
School District's proportionate share of the net pension (asset) liability	\$ 28,434,871	\$ (1,650,595)	\$ (26,845,680)

Pension Plan Fiduciary Net Position

The components of the current-year net pension (asset) liability of the employers as of the respective measurement dates, were as follows:

	Dollars in Thousands	
	ERS	TRS
Measurement date	March 31, 2018	June 30, 2017
Employers' total pension (asset)	\$ 183,400,590	\$ 114,708,261
Plan net position	(180,173,145)	(115,468,360)
Employers' net pension (asset) liability	\$ 3,227,445	\$ (760,099)
Ratio of Plan Net Position to the Employers' Total Pension (Asset) Liability	98.2%	100.7%

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 10 Pension Obligations - New York State and Local Employees' Retirement System (ERS) and the New York State Teachers' Retirement (TRS) (the Systems) - Continued

Payables to the Pension Plan

For ERS, employer contributions are paid annually based on the System's fiscal year which ends on March 31st. Accrued retirement contributions as of June 30, 2018 represent the projected employer contribution for the period of April 1, 2018 through June 30, 2018 based on estimated ERS wages multiplied by the employer's contribution rate, by tier. Accrued retirement contributions as of June 30, 2018 amounted to \$459,062.

For TRS, employer and employee contributions for the fiscal year ended June 30, 2018 are paid to the System in September, October, and November 2018 through a state aid intercept. Accrued retirement contributions as of June 30, 2018 represent employee and employer contributions for the fiscal year ended June 30, 2018 based on paid TRS wages multiplied by the employer's contribution rate, by tier and employee contributions for the fiscal year as reported to the TRS System. Accrued retirement contributions as of June 30, 2018 amounted to \$3,610,501.

Effect on Net Position

Changes in the net pension (asset) liability and deferred outflows and inflows of resources for the year ended June 30, 2018 resulted in the following effect on net position:

	Beginning Balance	Change	Ending Balance
ERS			
Net pension liability	\$ 3,682,937	\$ (2,415,262)	\$ 1,267,675
Deferred outflows of resources	(3,244,420)	(1,055,365)	(4,299,785)
Deferred inflows of resources	671,350	3,420,674	4,092,024
Subtotal	1,109,867	(49,953)	1,059,914
TRS			
Net pension (asset) liability	2,379,085	(4,029,680)	(1,650,595)
Deferred outflows of resources	(23,257,555)	920,758	(22,336,797)
Deferred inflows of resources	1,035,069	3,722,884	4,757,953
Subtotal	(19,843,401)	613,962	(19,229,439)
Total Effect on Net Position	\$ (18,733,534)	\$ 564,009	\$ (18,169,525)

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 11* Postemployment Benefits Other Than Pensions (OPEB)**

During the year ended June 30, 2018 the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

General Information about the OPEB Plan

Plan Description - The School District's defined OPEB plan provides medical benefits to eligible retirees and their spouses in accordance with various employment contracts. The plan is a single-employer defined benefit healthcare plan administered by the School District. Article 11 of the State Compiled Statutes grants the authority to establish and amend the benefit terms and financing requirements to the School Board. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The Plan does not issue separate financial statements because there are no assets legally segregated for the sole purpose of paying benefits under the plan.

Benefits Provided - The School District provides healthcare benefits for eligible retirees and their spouses. Benefit terms are dependent of which contract each employee falls under. The specifics of each contract are on file at the School District offices and are available upon request.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries	
currently receiving benefit payments	1,257
Active employees not fully eligible for benefits	703
Active employees fully eligible for benefits	209
	<hr/>
	2,169
	<hr/> <hr/>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 11* Postemployment Benefits Other Than Pensions (OPEB) - Continued**

Total OPEB Liability

The School District's total OPEB liability of \$381,216,447 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions and Other Inputs - The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Single Discount Rate	3.56%
Rate of Compensation Increase	2.90%
Inflation Rate	2.25%

The long-term bond rate is based on the Fidelity Municipal Go AA 20-Year Bond rate as of the measurement date (or the nearest business day thereto).

Salaries are assumed to increase at 2.90% per year. The salary scale was based on the School District's review of historical experience as well as future expectations.

Mortality rates were based on the sex-distinct RP-2014 Mortality Tables for employees and healthy annuitants, adjusted backward to 2006 with Scale MP-2014, and then adjusted for mortality improvements with Scale MP-2017 mortality improvement scale on a fully generational basis.

Rates of decrement due to disability are assumed to be 0%.

Rates of turnover and retirement rates are based on the experience under the New York State Employees' Retirement System (ERS) and the New York State Teachers' Retirement System (TRS). The ERS rates are based on the April 1, 2010 - March 31, 2015 System's experience with adjustments for mortality improvements based on the Society of Actuaries' Scale MP-2014. For TRS, annuitant mortality rates are based on plan member experience with adjustments for mortality improvements based on Society of Actuaries Scale MP2014, applied on a generational basis.

Election percentage: It was assumed that 95% of future retirees eligible for coverage will elect retiree group benefits. It was assumed that participants who are currently not Medicare eligible will migrate into the Gold Anywhere PPO with MVP Part D Prescription Plan upon Medicare eligibility. Retirees already Medicare eligible and still participating in NY44 are assumed to continue in NY44.

Spousal Coverage: It was assumed that 80% of future retirees will elect spousal coverage upon retirement with male spouses assumed to be three years older and female spouses assumed to be three years younger than the retiree.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

The annual rate of increase in healthcare costs developed based on a review of published National trend survey data in relation to the retiree health plan offerings and updated long-term rates based on the Society of Actuaries Long Term Healthcare Cost Trend Models v2018_c (the Getzen model).

Administrative fees were assumed to increase at 3.25% per year.

Dental and vision costs were assumed to increase at 4.00% per year.

CPI of 2.25% was assumed for purposes of determining future increases in limits corresponding to the excise tax of the Affordable Care Act on high cost employer-sponsored health plans as well as developing rate of increase in healthcare costs.

The actuarial assumptions used in the June 30, 2017 valuation were consistent with the requirements of GASB Statement No. 75 and Actuarial Standards of Practice (ASOPs).

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at June 30, 2017	\$ <u>405,021,228</u>
Changes for the year	
Service cost	14,430,505
Interest cost	12,097,747
Changes in assumptions or other inputs	(40,042,344)
Benefit payments	<u>(10,290,689)</u>
Net change	<u>(23,804,781)</u>
Balance at June 30, 2018	\$ <u><u>381,216,447</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92% at the measurement date of June 30, 2016 to 3.56% in June 30, 2017.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 11 Postemployment Benefits Other Than Pensions (OPEB) - Continued

Sensitivity of the total OPEB liability to changes in the discount rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56%) or 1-percentage-point higher (4.56%) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Total OPEB liability	\$ 446,462,892	\$ 381,216,447	\$ 328,893,728

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate - The following presents the total OPEB liability of the School District, as well as what the School District's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rate:

	1% Decrease	Healthcare Cost Trend Rate	1% Increase
Total OPEB liability	\$ 320,217,911	\$ 381,216,447	\$ 460,161,741

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the School District recognized OPEB expense of \$26,528,252.

At June 30, 2018, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions or other inputs	-	40,042,344
Contributions subsequent to measurement date	11,162,448	-
Total	\$ 11,162,448	\$ 40,042,344

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

***Note 12* Commitments and Contingencies - Continued**

Health Insurance

The School District joined the New York 44 Health Benefit Trust to provide health insurance coverage for School District employees.

The NY44 Health Benefits Plan Trust (Trust) was established in 2003 as a federal tax exempt Article 44 Trust to contain health care costs at Erie 1 BOCES. The Trust later expanded to employees and eligible retirees of not only Erie 1 BOCES but also to schools throughout New York State. Beginning its tenth year of operation, and having achieved self-funded status in January 2008, the Trust has grown to approximately 14,000 enrollees in 50 participating schools districts, BOCES and community colleges representing more than 177 bargaining units. The Trust, overseen by the New York Insurance Department, is controlled by 10 trustees who are employees of Erie 1 BOCES and represent all participating schools: five appointed by the labor organizations and five appointed by Erie 1 BOCES' administration. Because the Trust is jointly run, both union and management have an equal say in how it operates, including decisions about benefits offered to the members and annual contribution rates charged to the school. As a self-funded plan, the Trust benefits from having contribution rates which more closely reflect the actual health claims experience of the Trust's covered employees as opposed to a traditional insurance plan, employing a community rating.

Health Insurance - Continued

All current employees and retirees under the age of 65 are covered by NY44. For retirees over the age of 65, they have the choice of NY44 or MVP Medicare Advantage Plan. The MVP plan in many ways mirrors the coverage of NY44. A member district may withdraw from the Plan with a one year written notice to the Plan, in the form of a resolution passed by the School District's Board of Education. The withdrawal must be approved by the remaining Plan members.

During the year ended June 30, 2018, the School District incurred premiums or contribution expenditures totaling \$22,508,168.

Other Items

The School District has received grants, which are subject to audit by agencies of the state and federal governments. Such audits may result in disallowances and a request for a return of funds. Based on prior audits, the School District's administration believes disallowances, if any, will be immaterial.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 13 Fund Balance Detail

At June 30, 2018, nonspendable, restricted and assigned fund balance in the governmental funds was as follows:

	General Fund	Special Aid Fund	School Lunch Fund	Debt Service Fund	Capital Fund
Nonspendable					
Inventory	\$	\$	\$ 196,026	\$	\$
Prepays	2,504,740				
Total Nonspendable Fund Balance	\$ 2,504,740	\$ -	\$ 196,026	\$ -	\$ -
Restricted					
Retirement contribution reserve	\$ 8,764,450	\$		\$	\$
Tax certiorari reserve	355,636				
Unemployment insurance reserve	607,498				
Workers compensation reserve	1,505,616				
Liability reserve	350,000				
Insurance reserve	1,706,847				
Employee benefit accrued liability reserve	1,406,212				
Capital reserve	7,000,000				
School lunch			746,560		
Debt				12,452,213	
Total Restricted Fund Balance	\$ 21,696,259	\$ -	\$ 746,560	\$ 12,452,213	\$ -
Assigned					
Encumbered for:					
General support	\$ 267,359	\$		\$	\$
Instruction	53,457				
Pupil transportation	96,257				
Community service	5,688				
Total Assigned Fund Balance	\$ 422,761	\$ -	\$ -	\$ -	\$ -
Unassigned					
Reserve for tax reduction	\$ 428,464	\$		\$	\$
Remaining unassigned	5,115,367				(4,143,153)
Total Unassigned Fund Balance	\$ 5,543,831	\$ -	\$ -	\$ -	\$ (4,143,153)

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 14 Reserved Fund Balances

Portions of restricted fund balance are reserved and not available for current expenditures as reported in the Governmental Funds Balance Sheet. The balances and activity of the General Fund and Debt Service Fund reserves, for the year ended June 30, 2018, were as follows:

<u>General Fund</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Interest Earned</u>	<u>Appropriated</u>	<u>Ending Balance</u>
Retirement contribution reserve	\$ 7,006,312	\$ 1,736,257	\$ 21,881	\$	\$ 8,764,450
Unemployment insurance reserve	605,607		1,891		607,498
Tax certiorari reserve	354,535	3,622	1,101	(3,622)	355,636
Capital reserve	6,715,688	284,312			7,000,000
Liability reserve	-	350,000			350,000
Insurance reserve	1,701,533	113,517	5,314	(113,517)	1,706,847
Workers compensation reserve	1,501,353	258,914	4,263	(258,914)	1,505,616
Employee benefit accrued liability reserve	728,942	976,572	2,271	(301,573)	1,406,212
Total Restricted	\$ 18,613,970	\$ 3,723,194	\$ 36,721	\$ (677,626)	\$ 21,696,259
Reserve for Tax Reduction (General Fund - Unassigned)	\$ 427,130	\$ -	\$ 1,334	\$ -	\$ 428,464

Note 15 Restatement

During the year ended June 30, 2018 the School District implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions," effective for the year ended June 30, 2018. This Statement replaces the requirements of Statements No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions," as amended, and No. 57, "OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, for OPEB."

The School District's June 30, 2017 net position has been restated as follows:

Net Position Beginning of Year	\$ 4,918,960
OPEB plan liability previously reported	151,988,054
Restated OPEB plan liability	(405,021,228)
Restated OPEB plan deferred outflows of resources	<u>10,290,689</u>
Net Position Beginning of Year, as Restated	\$ <u>(237,823,525)</u>

ELMIRA CITY SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

Note 16 Tax Abatements

For the year ended June 30, 2018, property in the School District was subject to property tax abatements negotiated by the Chemung County Industrial Development Agency (CCIDA).

CCIDA enters into PILOT agreements with businesses within Chemung County under New York State General Municipal Law 858. Economic development agreements entered into by CCIDA can include the abatement of county, local, and school district taxes. In this case, negotiated abatements have resulted in reductions of property taxes, which CCIDA administers as a temporary reduction in the assessed value of the property involved. The abatement agreements generally stipulate a percentage reduction of property taxes, but sometimes stipulate a dollar value reduction in lieu of a percentage reduction.

Information relevant to disclosure of the program for the year ended June 30, 2018 is as follows:

	<u>Taxable Assesed</u>	<u>Combined Tax Rates</u>	<u>Tax Value</u>	<u>PILOT Received</u>	<u>Taxes Abated</u>
Chemung County Industrial Development Agency					
3107 Group LLC.	\$ 682,000	23.98	\$ 16,353	\$ 9,525	\$ 6,828
Anchor Glass Container Co.	4,200,000	23.98	100,707	22,524	78,183
Arnot Ogden Medical Center - Falck Cancer Center	2,800,000	23.98	67,138	12,085	55,053
Arnot Ogden Medical Center - Womens Health Center	401,120	23.98	9,618	9,618	-
CAF USA, Inc.	126,000	23.98	3,021	1,511	1,510
Elmira Eastowne Mall	1,480,000	23.98	35,487	18,751	16,736
Clemens Center Landlord LLC.	6,645,000	23.98	159,332	-	159,332
Elm Chevrolet	370,000	23.98	8,872	4,436	4,436
FM Howell and Company	256,000	23.98	6,138	3,069	3,069
Fennell Properties, LLC.	806,000	23.98	19,326	9,663	9,663
International Brotherhood of Electrical Workers	840,000	23.98	20,141	10,071	10,070
National Tax Search	5,820,000	23.98	139,551	40,367	99,184
New York Beauty and Barber Academy, LLC.	166,500	23.98	3,992	599	3,393
Park Terrace Apartments Associates	1,400,000	19.90	27,862	9,827	18,035
Southern Tier Custom Fabricators, Inc.	398,000	23.98	9,543	9,543	-
William Lake Properties, LLC.	332,000	23.98	7,961	4,580	3,381
1580 Lake Street, LLC.	1,300,000	23.98	31,171	17,995	13,176
Total PILOT Agreements	\$ <u>28,022,620</u>		\$ <u>666,213</u>	\$ <u>184,164</u>	\$ <u>482,049</u>

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF REVENUES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Local Sources				
Real property taxes	\$ 25,539,689	\$ 25,833,454	\$ 25,633,051	\$ (200,403)
Other tax items	7,808,899	7,515,134	7,671,946	156,812
Charges for services	352,000	352,000	428,548	76,548
Use of money and property	201,300	201,300	295,979	94,679
Sale of property and compensation for loss	20,000	238,005	138,522	(99,483)
Miscellaneous	1,733,000	1,746,992	2,102,980	355,988
Interfund revenues	25,000	25,000	121,911	96,911
Total Local Sources	35,679,888	35,911,885	36,392,937	481,052
State sources	91,032,106	91,048,878	91,542,531	493,653
Medicaid reimbursement	300,000	300,000	651,714	351,714
Federal sources	190,000	190,000	172,476	(17,524)
Total Revenues	127,201,994	127,450,763	128,759,658	1,308,895
OTHER FINANCING SOURCES				
Operating transfers in	-	-	268,993	268,993
Total Revenues and Other Financing Sources	127,201,994	127,450,763	\$ 129,028,651	\$ 1,577,888
Appropriated Fund Balance	-	677,625		
Encumbrances Carried Forward from Prior Year	666,042	666,042		
Total Revenues, Appropriated Reserves, and Designated Fund Balance	\$ 127,868,036	\$ 128,794,430		

See Independent Auditor's Report and Notes to Required Supplementary Information

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES COMPARED TO BUDGET (NON-GAAP) - GENERAL FUND FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget
EXPENDITURES		
General Support		
Board of Education	\$ 46,300	\$ 45,866
Central administration	268,640	270,532
Finance	1,461,597	1,491,439
Staff	1,045,731	872,911
Central services	11,658,760	11,087,455
Special items	2,710,851	2,706,891
Total General Support	17,191,879	16,475,094
Instruction		
Instruction, administration, and improvement	4,933,175	4,788,397
Teaching - Regular school	30,830,204	31,021,590
Programs for children with handicapping conditions	10,714,336	10,880,044
Occupational education	2,831,233	2,827,550
Teaching - Special school	1,038,014	1,120,495
Instructional media	1,322,169	1,718,093
Pupil services	4,610,808	4,765,706
Total Instruction	56,279,939	57,121,875
Pupil transportation	5,225,334	5,101,395
Community services	527,576	318,461
Employee benefits	34,685,012	31,942,883
Debt Service		
Principal	11,123,000	15,335,000
Interest	2,214,588	2,378,805
Total Debt Service	13,337,588	17,713,805
Total Expenditures	127,247,328	128,673,513
OTHER FINANCING USES		
Operating transfers out	620,708	120,917
Total Expenditures and Other Financing Uses	\$ 127,868,036	\$ 128,794,430
Net Change in Fund Balance		
Fund Balance - Beginning of Year		
Fund Balance - End of Year		

See Independent Auditor's Report and Notes to Required Supplementary Information

<u>Actual</u>	<u>Encumbrances</u>	<u>Variance Favorable (Unfavorable)</u>
\$ 34,845	\$	\$ 11,021
<u>267,464</u>	<u>38</u>	<u>3,030</u>
1,462,529		28,910
<u>844,518</u>		<u>28,393</u>
<u>10,532,667</u>	<u>267,321</u>	<u>287,467</u>
<u>2,702,878</u>		<u>4,013</u>
<u>15,844,901</u>	<u>267,359</u>	<u>362,834</u>
<u>4,742,216</u>	<u>824</u>	<u>45,357</u>
<u>30,083,892</u>	<u>34,024</u>	<u>903,674</u>
<u>10,669,057</u>		<u>210,987</u>
<u>2,827,550</u>		<u>-</u>
<u>1,120,494</u>		<u>1</u>
<u>1,681,857</u>		<u>36,236</u>
<u>4,608,156</u>	<u>18,609</u>	<u>138,941</u>
<u>55,733,222</u>	<u>53,457</u>	<u>1,335,196</u>
<u>4,937,847</u>	<u>96,257</u>	<u>67,291</u>
<u>304,375</u>	<u>5,688</u>	<u>8,398</u>
<u>31,390,891</u>		<u>551,992</u>
<u>15,335,000</u>		<u>-</u>
<u>2,378,804</u>		<u>1</u>
<u>17,713,804</u>	<u>-</u>	<u>1</u>
<u>125,925,040</u>	<u>422,761</u>	<u>2,325,712</u>
<u>94,025</u>	<u>-</u>	<u>26,892</u>
<u>126,019,065</u>	<u>\$ 422,761</u>	<u>\$ 2,352,604</u>
<u>3,009,586</u>		
<u>27,158,005</u>		
<u>\$ 30,167,591</u>		

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSLRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 1,829,633	\$ 1,751,188	\$ 2,532,285
Contributions in relation to the contractually required contribution	(1,829,633)	(1,751,188)	(2,532,285)
Contribution deficiency (excess)	-	-	-
School District's covered payroll for year ending June 30,	12,335,367	11,678,424	11,749,724
Contributions as a percentage of covered payroll	14.8%	15.0%	21.6%

SCHEDULE OF SCHOOL DISTRICT CONTRIBUTIONS NYSTRS PENSION PLAN FOR THE LAST 10 FISCAL YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Contractually required contribution	\$ 3,610,501	\$ 4,033,081	\$ 4,545,078
Contributions in relation to the contractually required contribution	(3,610,501)	(4,033,081)	(4,545,078)
Contribution deficiency (excess)	-	-	-
School District's covered payroll for year ending June 30,	36,841,847	34,411,954	34,276,606
Contributions as a percentage of covered payroll	9.8%	11.7%	13.3%

See Independent Auditor's Report and Notes to Required Supplementary Information

2015	2014	2013	2012	2011	2010	2009
\$ <u>1,691,765</u>	\$ <u>1,836,513</u>	\$ <u>1,207,738</u>	\$ <u>1,191,314</u>	\$ <u>823,267</u>	\$ <u>1,029,209</u>	\$ <u>906,228</u>
(1,691,765)	(1,836,513)	(1,207,738)	(1,191,314)	(823,267)	(1,029,209)	(906,228)
-	-	-	-	-	-	-
9,949,105	9,733,435	10,902,517	11,954,991	12,201,070	12,063,370	11,169,589
17.0%	18.9%	11.1%	10.0%	6.7%	8.5%	8.1%

2015	2014	2013	2012	2011	2010	2009
\$ <u>5,974,257</u>	\$ <u>5,217,189</u>	\$ <u>3,936,701</u>	\$ <u>4,328,172</u>	\$ <u>3,654,686</u>	\$ <u>2,612,487</u>	\$ <u>3,162,632</u>
(5,974,257)	(5,217,189)	(3,936,701)	(4,328,172)	(3,654,686)	(2,612,487)	(3,162,632)
-	-	-	-	-	-	-
34,080,188	32,105,778	33,249,164	38,957,444	42,397,749	42,204,960	41,449,961
17.5%	16.3%	11.8%	11.1%	8.6%	6.2%	7.6%

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSLRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.039278%	0.039196%	0.042638%	0.034534%
School District's proportionate share of the net pension (asset) liability	\$ 1,267,675	\$ 3,682,937	\$ 6,843,572	\$ 1,166,657
School District's covered payroll	12,252,860	11,586,157	11,612,960	9,394,486
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	10.3%	31.8%	58.9%	12.4%
Plan fiduciary net position as a percentage of the total pension (asset) liability	98.2%	94.7%	90.7%	97.9%

SCHEDULE OF THE SCHOOL DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) NYSTRS PENSION PLAN FOR THE YEARS ENDED JUNE 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
School District's proportion of the net pension (asset) liability	0.21716%	0.22213%	0.22688%	0.21735%
School District's proportionate share of the net pension (asset) liability	\$ (1,650,595)	\$ 2,379,085	\$ (23,565,418)	\$ (24,211,285)
School District's covered payroll	36,841,847	34,417,150	34,276,606	34,080,188
School District's proportionate share of the net pension (asset) liability as a percentage of its covered payroll	(4.5%)	6.9%	(68.8%)	(71.0%)
Plan fiduciary net position as a percentage of the total pension (asset) liability	(100.7%)	99.0%	(110.5%)	(111.5%)

See Independent Auditor's Report and Notes to Required Supplementary Information

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE SCHOOL DISTRICT'S TOTAL OPEB LIABILITY AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

	2018	2017	2016
Service cost	\$ 14,430,505	\$ *	\$ *
Interest cost	12,097,747	*	*
Changes of benefit terms	-	*	*
Differences between expected and actual experience	-	*	*
Changes in assumptions or other inputs	(40,042,344)	*	*
Benefit payments	(10,290,689)	*	*
	(23,804,781)	*	*
Total OPEB liability - Beginning	405,021,228	*	*
Total OPEB liability - Ending	\$ 381,216,447	\$ 405,021,228	\$ *
Covered employee payroll	50,570,043	*	*
Total OPEB liability as a percentage of covered payroll	754%	*	*

* Information for periods prior to implementation of GASB Statement No. 75 is unavailable and will be completed for each year going forward as it becomes available.

See Independent Auditor's Report and Notes to Required Supplementary Information

2015	2014	2013	2012	2011	2010	2009
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
*	*	*	*	*	*	*
\$ *	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
*	*	*	*	*	*	*
*	*	*	*	*	*	*

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Budgetary Procedures and Budgetary Accounting**

The School District administration prepares a proposed budget for approval by the Board of Education for the General Fund for which a legal (appropriated) budget is adopted. The voters of the School District approved the proposed appropriation budget for the General Fund.

Appropriations are adopted at the program line level. Appropriations established by the adoption of the budget constitute a limitation on expenditures (and encumbrances), which may be incurred. Appropriations lapse at the end of the fiscal year unless expended or encumbered. Encumbrances will lapse if not expended in the subsequent year. Supplemental appropriations may occur subject to legal restrictions, if the board approves them because of a need that exists which was not determined at the time the budget was adopted.

The following supplemental appropriations occurred during the year:

Adopted budget	\$ 127,201,994
Carryover encumbrances	<u>666,042</u>
Original budget	127,868,036
Insurance recoveries	218,005
State aid	16,772
Gifts and donations	13,992
Appropriated reserves	<u>677,625</u>
Total additions	<u>926,394</u>
Final Budget	\$ <u><u>128,794,430</u></u>

Budgets are adopted annually on a basis consistent with GAAP. Appropriations authorized for the year are increased by the amount of encumbrances carried forward from the prior year.

Annual legal budgets are not adopted for the Special Revenue Funds (Special Aid and School Lunch). Budgetary controls for the Special Aid Fund are established in accordance with the applicable grant agreements. Special Aid grants may also cover a period other than the School District's fiscal year. Budgetary controls for School Lunch Fund are established internally.

Note 2 **Reconciliation of the General Fund Budget Basis to GAAP**

No adjustment is necessary to convert excess of revenues and other sources over expenditures and other uses on the GAAP basis to the budget basis, as there were no encumbrances added to the actual expenditures recorded in the budgetary comparison schedules.

Note 3 **Schedule of Changes in the School District's Total OPEB Liability and Related Ratios**

Changes of assumptions - Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates in each period:

2018 - 3.56%
2017 - 2.92%

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 4 Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability
The Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability, required supplementary information, present four years of information. These schedules will present ten years of information as it becomes available from the pension plans.

Note 5 Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability NYSLRS

Changes in Benefit Terms

There were no significant legislative changes in benefits.

Changes of Assumptions

There were changes in the economic (investment rate of return, inflation, COLA, and salary scales) and demographic (pensioner mortality and active member decrements) assumptions used in the April 1, 2017 actuarial valuation.

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The April 1, 2017 actuarial valuation determines the employer rates for contributions payable in fiscal year 2018. The following actuarial methods and assumptions were used:

Actuarial cost method	The System is funded using the Aggregate Cost Method. All unfunded actuarial liabilities are evenly amortized (as a percentage of projected pay) over the remaining worker lifetimes of the valuation cohort.
Asset valuation period	Five-year phase in deferred recognition of each year's net investment income/loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is subject to the five-year phase in.
Inflation	2.5%
Salary scale	3.8% in ERS, indexed by service.
Investment rate of return	7.0% compounded annually, net of investment expenses, including inflation.
Cost of living adjustments	1.3% annually

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

***Note 5* Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

NYSTRS

Changes in Benefit Terms

Chapter 504 of the Laws of 2009 created a new tier of membership (Tier 5) for members with a date of membership on or after January 1, 2010. The Tier 5 benefit structure represents a reduction in benefits from those of prior tiers and an increase in the required employee contribution rate. The Tier 5 benefit changes were first included in the 2010 actuarial valuation. Chapter 18 of the Laws of 2012 created a new tier of membership (Tier 6) for members who join on or after April 1, 2012. The Tier 6 benefit formula is slightly less generous than that of Tier 5, and the required employee contribution rate was increased further. The Tier 6 benefit changes were first included in the 2012 actuarial valuation.

Changes of Assumptions

Actuarial assumptions are revised periodically to more closely reflect actual, as well as anticipated future experience. The actuarial assumptions used in the actuarial valuations prior to 2011 were adopted by the Retirement Board on October 26, 2006. Revised assumptions were adopted by the Retirement Board on October 27, 2011 and first used in the 2011 actuarial valuation. The actuarial assumptions were revised again in 2015. These assumptions were adopted by the Retirement Board on October 29, 2015 and first used in the 2015 actuarial valuation.

The System's valuation rate of interest of 7.5% is effective with the 2015 actuarial valuation. Prior to the 2015 actuarial valuation, the System's valuation rate of interest assumption was 8.0%.

Prior to the 2007 actuarial valuation, the asset valuation method used was a five-year market smoothing for equities, real estate, and alternative investments, based upon book values. The asset valuation method was changed effective with the 2007 actuarial valuation to use a five-year phased in deferred recognition, at a rate of 20% per year, of each year's realized and unrealized appreciation in excess of (or less than) an assumed inflationary gain of 3.0%. The asset valuation method was changed again effective with the 2015 actuarial valuation to recognize each year's net investment income/ loss in excess of (or less than) 7.5% at a rate of 20% per year, until fully recognized after five years. For fiscal years ending prior to June 30, 2015, realized and unrealized appreciation in excess of (or less than) the assumed inflationary rate of 3.0% is recognized at a rate of 20% per year, until fully recognized after five years.

Prior to the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.75% annually. Effective with the 2011 actuarial valuation, COLAs were projected to increase at a rate of 1.625% annually. Effective with the 2015 actuarial valuation, COLAs are projected to increase at a rate of 1.50% annually.

ELMIRA CITY SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Note 5 **Schedules of School District Contributions - NYSLRS and NYSTRS Pension Plan and Schedules of the School District's Proportionate Share of the Net Pension (Asset) Liability - Continued**

Methods and Assumptions Used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution rates in the schedule of school districts' contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Unless otherwise noted above, the following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of the School Districts' Contributions.

Actuarial cost method	The System is funded in accordance with the Aggregate Cost Method, which does not identify nor separately amortize unfunded actuarial liabilities. Costs are determined by amortizing the unfunded present value of benefits over the average future working lifetime of active plan members, which currently for NYSTRS is approximately 13 years.
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Asset valuation method	5 year phased in deferred recognition of each year's actual gain or loss above (or below) an assumed inflationary gain of 3.0%.
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Inflation	2.5%
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Projected salary increases	Rates of increase differ based on service. They have been calculated based upon recent NYSTRS member experience.
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Service	Rate
5	4.72%
15	3.46%
25	2.37%
35	1.90%

Investment rate of return	7.5% compounded annually, net of investment expenses, including inflation.
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Cost of living adjustments	1.5% compounded annually
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ELMIRA CITY SCHOOL DISTRICT

SCHEDULES OF CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET AND THE REAL PROPERTY TAX LIMIT FOR THE YEAR ENDED JUNE 30, 2018

CHANGE FROM ADOPTED BUDGET TO FINAL BUDGET

Adopted Budget	\$ 127,201,994
Prior year's encumbrances	<u>666,042</u>
Original Budget	<u>127,868,036</u>
Insurance recoveries	<u>218,005</u>
State aid	<u>16,772</u>
Gifts and donations	<u>13,992</u>
Appropriated reserves	<u>677,625</u>
Total Additions	<u>926,394</u>
Final Budget	<u><u>\$ 128,794,430</u></u>

§1318 OF REAL PROPERTY TAX LAW LIMIT CALCULATION

Next year's budget is a voter approved budget	\$ <u><u>127,885,274</u></u>	
Maximum allowed (4% of the 2018-2019 budget)		\$ 5,115,411
General Fund fund balance subject to §1318 of Real Property Tax Law:		
Unrestricted fund balance:		
Assigned fund balance	\$ 422,761	
Unassigned fund balance	<u>5,543,831</u>	
Total Unrestricted Fund Balance	<u>5,966,592</u>	
Less:		
Tax reduction reserve	\$ 428,464	
Encumbrances included in assigned fund balance	<u>422,761</u>	
Total Adjustments	<u>851,225</u>	
General Fund Fund Balance Subject to §1318 of Real Property Tax Law		<u><u>\$ 5,115,367</u></u>
Actual Percentage		4.0%

See Independent Auditor's Report

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF PROJECT EXPENDITURES CAPITAL PROJECTS FUND AND RELATED RATIOS FOR THE LAST 10 FISCAL YEARS

PROJECT TITLE	Expenditures				
	Original Budget	Revised Budget	Prior Years	Current Year	Total
R-47 Projects	\$ 4,500,000	\$ 4,529,659	\$ 4,529,659	\$	\$ 4,529,659
H-47 Projects	95,478,318	95,448,659	95,187,513	26,356	95,213,869
Capital Outlay Phase Two	1,217,249	1,217,249	940,198	8,057	948,255
District-wide 2016	51,000,000	51,000,000	4,101,438	12,041,715	16,143,153
Smart School	10,005	5,951,633	802,836	2,447,020	3,249,856
EDA 2018 Pool Damage	231,125	231,125		231,125	231,125
Subtotal	152,436,697	158,378,325	105,561,644	14,754,273	120,315,917
Unredeemed BANs					
Total	\$ 152,436,697	\$ 158,378,325	\$ 105,561,644	\$ 14,754,273	\$ 120,315,917

* Architectural and State approved budget modification for sub-project reallocations not yet finalized and available at this report date.

See Independent Auditor's Report

Methods of Financing

Unexpended (Overexpended) Balance	Methods of Financing					Fund Balance (Deficit) June 30, 2018
Proceeds of Obligations	State Aid	Local Sources	Transfers to Other Funds	Total		
\$ -	\$ 29,659	\$ -	\$ 4,500,000	\$ -	\$ 4,529,659	\$ -
234,790	74,000,341	5,454,543	15,993,775	(234,790)	95,213,869	-
268,994			1,217,249	(268,994)	948,255	-
34,856,847	25,000,000		8,000,000		33,000,000	16,856,847
2,701,777		3,249,856			3,249,856	-
-			231,125		231,125	-
38,062,408	99,030,000	8,704,399	29,942,149	(503,784)	137,172,764	16,856,847
	(21,000,000)				(21,000,000)	(21,000,000)
\$ 38,062,408	\$ 78,030,000	\$ 8,704,399	\$ 29,942,149	\$ (503,784)	\$ 116,172,764	\$ (4,143,153)

ELMIRA CITY SCHOOL DISTRICT

NET INVESTMENT IN CAPITAL ASSETS FOR THE YEAR ENDED JUNE 30, 2018

Capital assets, net	\$ <u>165,822,926</u>
Add:	
Unspent bond proceeds	<u>8,856,849</u>
Amount deferred on refunding	<u>332,303</u>
Deduct:	
Bond anticipation notes	<u>(21,000,000)</u>
Premium on Serial Bonds	<u>(431,269)</u>
Short-term portion of bonds payable	<u>(9,980,000)</u>
Long-term portion of bonds payable	<u>(44,275,000)</u>
Net Investment in Capital Assets	\$ <u><u>98,808,883</u></u>

See Independent Auditor's Report



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Elmira City School District
Elmira, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elmira City School District (the School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated September 10, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,

A handwritten signature in black ink that reads "Insero & Co. CPAs, LLP". The signature is written in a cursive, slightly slanted style.

Insero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 10, 2018

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY UNIFORM GUIDANCE**

Board of Education
Elmira City School District
Elmira, New York

Report on Compliance for Each Major Federal Program

We have audited Elmira City School District's (the School District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2018. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the School District, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Inero & Co. CPAs, LLP
Certified Public Accountants

Ithaca, New York
September 10, 2018

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

<u>Federal Grantor/Pass -Through Program Title</u>	<u>Federal CFDA #</u>	<u>Pass -Through Grantor #</u>	<u>Passed -Through to Subrecipients</u>	<u>Expenditures</u>
U.S. Department of Education				
Passed Through NYS Department of Education				
Title I Grants for School Improvements	84.010	0011182050	\$	\$ 416,350
Title I Grants for School Improvements	84.010	0011172050		273,936
Title I Grants to Local Educational Agencies	84.010	0021180410		2,694,193
Title I Grants to Local Educational Agencies	84.010	0021170410		67,059
Total Title I Cluster		Subtotal		<u>3,451,538</u>
Special Education Cluster				
Special Education - Grants to States	84.027	0032180118		2,067,342
Special Education - Grants to States	84.027	0032170118		25,538
		Subtotal		<u>2,092,880</u>
Special Education - Preschool Grants	84.173	0033180118		75,747
Special Education - Preschool Grants	84.173	0033170118		993
		Subtotal		<u>76,740</u>
Total Special Education Cluster		Subtotal		<u>2,169,620</u>
Improving Teacher Quality State Grants	84.367	0147180410		162,348
Improving Teacher Quality State Grants	84.367	0147170410		110,426
		Subtotal		<u>272,774</u>
21st Century Community Learning Centers	84.287	0187187082		<u>832,000</u>
Total U.S. Department of Education				<u>6,725,932</u>
U.S. Department of Agriculture				
Passed Through NYS Department of Education:				
Child Nutrition Cluster				
National School Lunch Program	10.555	Unknown		2,784,568
Summer Food Program for Children	10.559	Unknown		98,826
School Breakfast Program	10.553	Unknown		626,201
Total Child Nutrition Cluster		Subtotal		<u>3,509,595</u>
Total U.S. Department of Agriculture				<u>3,509,595</u>
Total Expenditures of Federal Awards			\$ - \$	<u>10,235,527</u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards

ELMIRA CITY SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

Note 1 **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs administered by the Elmira City School District, an entity as defined in Note 1 to the School District's basic financial statements. Federal awards received directly from federal agencies, as well as federal awards passed through from other government agencies, are included on the Schedule of Expenditures of Federal Awards.

Note 2 **Basis of Accounting**

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program. The information is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the financial statements.

Note 3 **Indirect Costs**

Indirect costs are included in the reported expenditures to the extent they are included in the federal financial reports used as the source for the data presented. The School District has elected not to use the 10% de minimis indirect cost rate allowed under Uniform Guidance.

Note 4 **Matching Costs**

Matching costs, i.e., the School District's share of certain program costs, are not included in the reported expenditures.

Note 5 **Non-Monetary Federal Program**

The School District is the recipient of a federal award program that does not result in cash receipts or disbursements termed a "non-monetary program." During the year ended June 30, 2018, the School District received \$260,816 worth of commodities under the National School Lunch Program (CFDA #10.555).

Note 6 **Subrecipients**

No amounts were provided to subrecipients.

Note 7 **Other Disclosures**

No insurance is carried specifically to cover equipment purchased with Federal Funds. Any equipment purchased with Federal Funds has only a nominal value, and is covered by the School District's casualty insurance policies.

There were no loans or loan guarantees outstanding at year end.

ELMIRA CITY SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

Section I - Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ yes no

Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes none reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of Uniform Guidance? _____ yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.367</u>	<u>Improving Teacher Quality State Grants</u>
<u>10.553, 10.555, 10.559</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B Programs: \$ 750,000

Auditee qualified as low-risk? yes _____ no

Section II - Financial Statement Findings: None

Section III - Federal Award Findings and Questioned Costs: None